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THE TIMES

Europa: Holding on in fight against inflation

TUC launches onslaught on employment legislation

he TUC conference in Brighton voted over-helmingly yesterday in favour of mounting a ierce campaign of non-cooperation with the Government over the Employment Act, "including, if necessary, industrial action". An opinion poll published today indicates that most voters lisagree with the Prime Minister over economic policy.

Campaign may include industrial action

rom Paul Routledge
abour Editor
righton

Union leaders formally pened their battle against the mployment Act yesterday with n impassioned plea from Mr rthur Scargill, the Yorkshire iners' president, to force an arly general election still ringng in their ears.

After a one-sided debate at he TUC conference lasting ttle more than half an hour, he president, Mr Terence arry, recorded no votes against he mounting of a "sustained nd vigorous campaign of noncooperation with the Government including, if necessary, ndustrial action".

The National and Local overnment Officers' Association abstained as did a few ther delegates.

The TUC lost no time in iring the first shot. Thousands f copies of a leaflet *argain To Beat The Act*, esigned to recoup rights lost nder the new labour law, vere released to union egotiators.

The daunting scale of the UC's difficulties in organizing uccessful opposition to the egislation was highlighted by Mr Owen O'Brien, general ecretary of the National ociety of Operative Printers, raphical and Media Personnel, who said that union leaders ere preaching to the conerted at the conference.

"Let us go out and spread he gospel", he argued. "Our eople on the shop floor do not et realize the implications of his Act."

The industrial relations ebate was more a restatement f faith in the Labour moveent's traditional values than a ash of ideology or strategy. Vith no leading union prepared stand up and criticize the road coalition of hostility to he Employment Act, interest cused on just how far the ain speakers would go in their ondemnation.

Inevitably perhaps the palm as taken by Mr Scargill. pplauded before he got to the rostrum, he ignored the closing bell for his speech twice to get out the final threat that what was needed was a sense of determination and unity of purpose to defeat the Act "and above all to force a general election and the return of a Labour Government".

His speech marked the emotional high in a debate that otherwise chiefly took its cue from the dry and serious introduction by Mr Harry Urwin, *chairman of the TUC's Employment Policy and Organization Committee*, who has led the unions' unsuccessful war of words with Mr James Prior, Secretary of State for Employment, over the introduction of labour law reform.

Mr Urwin, a former general secretary of the transport workers' union, urged delegates to read the TUC's annual report carefully as it contained things to be done.

The report gives a five-point plan of continuing opposition, including a refusal to accept state money for the conduct of union ballots; talks in the autumn with the Labour Party over the repeal of legislation, and advice on collective bargaining and legal matters to unions caught up in the operation of the new law.

It was, however, an indication of their preoccupation with the impact of unemployment that the unions spent more time yesterday talking about how to put their own *house in order than on resistance to the Employment Act*.

Delegates adopted two resolutions on the structure: one, *from the General and Municipal* Workers Union, calling for *urgent improvements in union finances* and benefits, and one from the Association of Scientific, Technical and Managerial Staffs on TUC representation for the unemployed.

Those measures could reshape the trade union movement radically, turning it into a financially stronger and more representative grouping.

Conference report, page 4
The union barons, page 12
Leading article, page 13

Workers at Lucas agree on 10pc pay rise

By Clifford Webb
Midland Industrial Correspondent

About 12,000 Lucas workers at 17 plants in the Birmingham area have voted overwhelmingly to accept the company's offer of a 10 per cent wage increase. Shop stewards had demanded 30 per cent and predicted a confrontation if management did not back down.

The acceptance of such a moderate increase by a traditionally militant workforce comes while many motor and component companies are still negotiating. It will be particularly welcomed by BL which is coming under increasing pressure to meet a 20 per cent claim but is expected to stick to an offer of less than 10.

Talbot workers recently accepted a rise of 8 per cent and Vauxhall has warned its unions that its 9.5 per cent offer is the most it can afford.

Lucas managers took a tough line from the start of the pay talks. They told shop stewards that with falling sales in the car industry at home and with exports affected by the world recession and the strength of sterling they could not follow the usual pattern of collective bargaining.

Lucas management made it *clear that it would not* and could not find a penny more than 10 per cent. During recent weeks mass meetings at all 17 plants have voted to accept the offer. No official details are available of the votes cast but it is reliably reported that workers favouring a 10 per cent rise have been in a substantial majority.

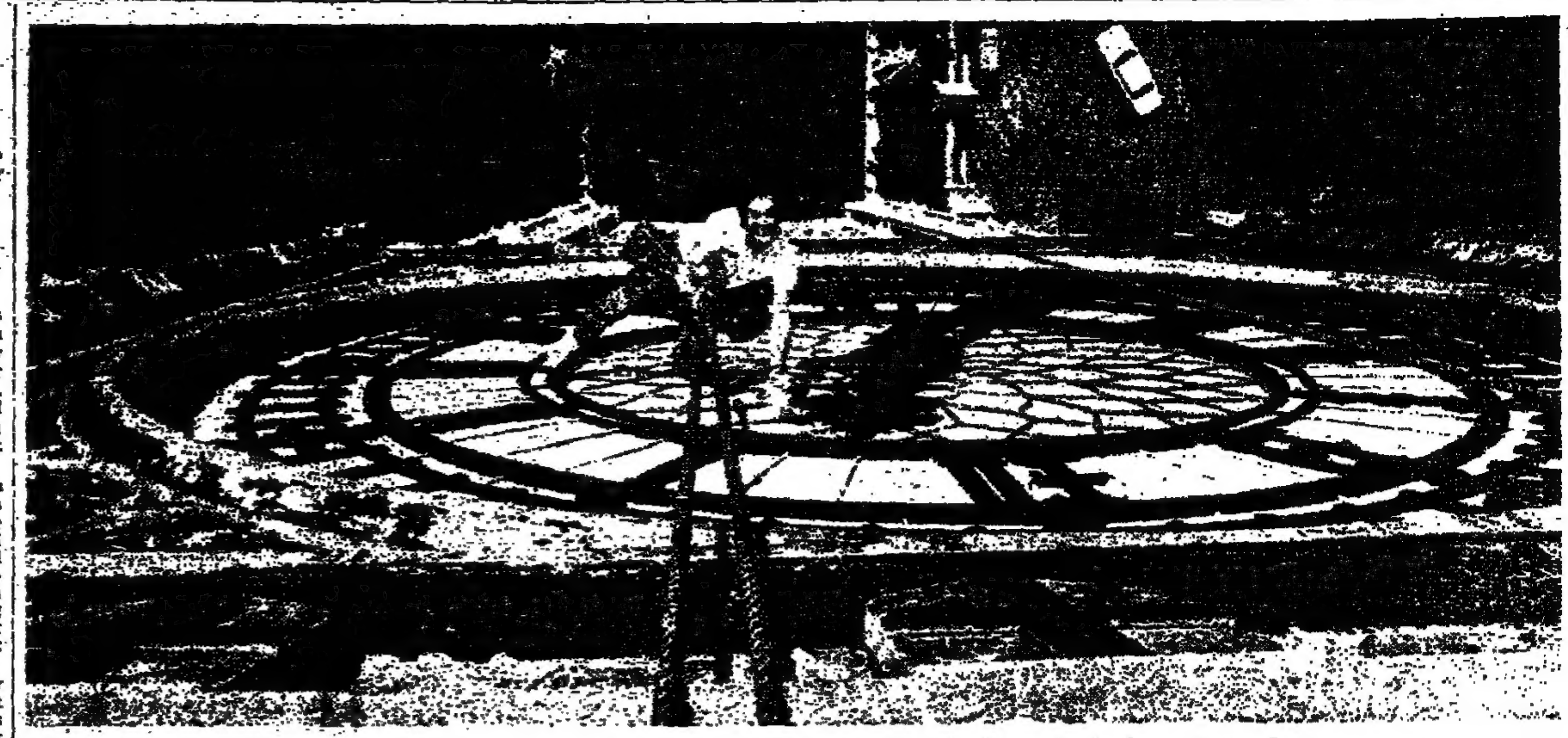
The deciding factor was the Lucas announcement on June 4 that 3,000 jobs would have to go and more were in danger. This timely *reminder that job* security could be threatened by unrealistic *wage claims* killed off attempts by some shop stewards to cause a confrontation.

The original 90-day notice of redundancies expires on Friday but Lucas has had such a good response to its call for volunteers that it is extending the period until September 12. It is understood that about 2,500 jobs have already been shed through natural wastage and voluntary redundancy. *Management hopes that more volunteers will come forward before* September 12.

Lucas wage negotiations are conducted regionally. But the first region to settle, in this case the biggest in the group, normally sets the benchmark *for the whole group* with the exception of Lucas Aerospace which negotiates separately.

This could still cause problems because Lucas Aerospace, after three years of difficult trading, has seen a rapid rise in orders for components which *now total more than £350m*.

This is sufficient to keep Lucas Aerospace factories fully employed for the next 18 months. But Lucas had told Aerospace shop stewards that its 10 per cent offer was based on the group's overall financial position and could not be improved because one section of the workforce had full order books.



'A striking view of Mr Terry Dossell, a steeplejack, as he cleaned the Big Ben clock face yesterday.

Iran drafts terms for release of hostages

Tehran, Sept 1.—The first authoritative Iranian proposal for solving the American hostage crisis was made in the Majlis (parliament) here today. It called for the United States to acknowledge its past role in Iran and to return the late Shah's wealth.

The proposal was made by *the Majlis foreign affairs* commission in a draft reply to a *letter from 187 United States* Congressmen who appealed two *months ago for the early release* of the 52 American hostages who have been held by radical Muslim students since November 4.

Mr Mohammad Khatami, a member of the commission, read the draft to an extraordinary session of the Majlis, which was instructed in February by Ayatollah Khomeini to set terms for the hostages' release. Debate on the draft was then adjourned until an unspecified date.

Referring to ways of solving the crisis, the document said: "*The American Government* can take the first step by accepting responsibility and participation in the actions of the Shah's regime as well as compensating the financial and spiritual losses inflicted on the Iranian people.

"Gentlemen, you can take a positive step in this direction and despite all your problems put on your urgent agenda the task of estimating the losses *resulting from the past actions* of America and giving priority *to returning the property of the* Shah and his relatives.

"In this way, you can prepare the ground for the resolution of the crisis."

Political sources said the importance of the proposal was that, unlike past suggestions from Tehran for settling the crisis, it came from the Majlis, the one body empowered to negotiate on the issue.

But they cautioned that, even *if the terms were acceptable to* Washington, the draft had not been *approved by the whole* Majlis and spoke only of a first step towards ending the crisis.

The commission has nine members including Ayatollah Mohammad Ali Khomeinei, a leader of the hardline Islamic Republican Party, and Hojatoleslam Moussavi Khoini, a confidant of the students holding the hostages.

The draft did not mention a trial of the hostages.

In another development, the official Pars news agency reported that Mr Mohammad Ali Rajai, the Prime Minister, had received a letter from Mr Edmund Muskie, the United States Secretary of State. Pars said Mr Rajai would disclose its contents soon.

The existence of the letter was later confirmed by Mr Marcus Kaiser, the chargé d'affaires of the Swiss Embassy, which represents United States interests here, and by the State Department in Washington. Both refused to disclose the contents of the letter.—Reuter.

Cabinet dispute, page 6
Leading article, page 13

Demands for free trade unions spread throughout Poland

From Dessa Trevisan
Warsaw, Sept 1

Life returned to normal in the Baltic ports of Szczecin and Gdansk this morning, but demands for independent trade unions are now spreading to other parts of Poland. In Silesia, about 30,000 miners are still on strike. They are demanding that the *concessions* granted to the Gdansk workers *should also be applied to* them, especially the right for *independent unions*.

The Silesia stand is a serious threat to the *regime* of Mr Edward Gierek, the Polish party leader. The region was once the model of Mr Gierek's success and had given him his strongest support.

Silesia miners have enjoyed many benefits and the region has been better supplied than other parts of Poland.

Among the miners' demands is the *abolition of the four* brigades system introduced last year. *According to this system* three brigades work six eight-hour shifts while members of the fourth have a two-day rest. The miners say that under the system, they have been working 40 Sundays a year and that this was disrupting their family and religious life.

The authorities are anxious to settle the Silesia dispute quickly and the Minister of Mining is negotiating with the *strike committee*.

Already the concessions which the Polish authorities have made in the Baltic have aroused Moscow's anger. An article in *Pravda* has made this clear and today the Polish party newspaper *Trybuna Ludu* is at pains to allay any impression that *the settlement in Gdansk* has meant that the communist *regime had yielded to pressure.*

The paper, obviously with an *eye to Moscow's disapproval*, claims that the settlement has *helped to prevent* opposition forces taking any advantage *from the present labour unrest*. While anti-socialist forces had tried to interfere in the conflict between the strikers and the authorities, they had only done so to prevent a settlement. In other words, the Polish regime is anxious to assure Moscow that the settlement has strengthened the communist system.

With the dispute in the Baltic resolved, the authorities have today released all members of the Social Self-Defence Committee (Kor) who had been detained during the negotiations.

This was the issue which the strike committee in Gdansk took up yesterday with the government negotiators before the *agreement* was *finally* signed. On obtaining a promise that *all political* prisoners arrested during the strikes *would be released, the strikers* then signed the historic settlement establishing the first officially recognized independent labour union in a communist state.

Mr Lech Walesa, the leader *of the strike committee*, was given a six-room apartment today, *which will house the new* headquarters of Poland's first *independent trade union*.

The concessions which the *authorities have made in the* Baltic have no precedence in Poland. They include the right to strike.

Mr Gierek has kept aloof throughout the week, although he was said to have presided over the central committee meeting on Saturday when the agreement to settle the strike in Gdansk was formally approved.

His personal authority has been seriously damaged by the strikes.

Fatal accident: Eight coal miners were killed and 18 were injured today in an underground accident near Katowice, the official PAP news agency reported. The accident, at *Halemba mine in Upper Silesia*, is thought to have been caused by *out-of-control mining* trolleys. The mine was not on *the list of the Silesia mines* reported to be involved in the strike.—AP and Agence France-Presse.

Moscow campaign, page 5

Afghan resistance is fading without unity

From Trevor Fishlock
Peshawar, Sept 1

The loose alliance of Afghan resistance groups with headquarters in Peshawar has all but crumbled. There is no prospect of any central leadership emerging in the struggle against the Russians, or of any concerted effort. The *numerous* bands of tribesmen in the hills *are fated to carry on a war of* independent, brave, sporadic and often futile actions.

The only common thread is the fervent wish that the Russians would leave. Beyond that there is no joint purpose or sense of interdependence; indeed, there is resistance to it.

The ill-equipped *mujahidin* (fighters in a "holy" war) *tenacious and fearless as many* of them are, are just as *enmeshed* as the Russians *who*, given the nature of things in Afghanistan, are not likely ever to eradicate the guerrillas.

The Afghan groups in Peshawar are deeply divided by their religious and ideological outlook, as well as by family and tribal rivalries.

Attempts to form a government in exile have failed, and *an alliance between five of the* groups is tenuous and likely to fragment.

Leaders of the 10 liberation fronts, parties and revolutionary councils have rigid ideas about the government and social system in an Afghanistan freed from the Russians, but jealousy and prejudice prevent them forging a common plan. This makes it harder for their movement to attract money and support.

The *mujahidin* rely to a great extent on captured Soviet weapons and originals and copies of their favourite Lee-Enfield vintage rifle. Their constant demand is for modern weapons to attack tanks and helicopter gunships.

It was only when people in Arab countries, especially Saudi Arabia, told them to form an organization as a conduit for money, that five of the Peshawar *groups joined in a liberation* alliance which at the *January Islamic Conference* was able to present a paper unity.

But one of the most important groups, Hizb-i-Islami, led by Mr Gulbuddin Hikmatyar, would have nothing to do with the alliance. Mr Gulbuddin is well-educated and strong-minded and his group has a hardline Islamic programme. He is intensely disliked by many of the other leaders.

A spokesman for his group said: "How can you expect us to join up with others who are so different from us. Some of them would even like the King to come back (King Zahir *Shah was overthrown in 1973*), so how could we unite with them? We are the oldest of the parties and have been working for an Islamic state in Afghanistan since 1968. Now we are the largest and control more *mujahidin* than any group."

Continued on page 5, col 2

Firm fined £250,000 for town hall corruption

A civil engineering firm was fined £250,000 at Cardiff Crown Court yesterday after pleading guilty to two charges of conspiring to commit corruption over a town centre redevelopment.

Two former mayors of the *town, Port Talbot* in West Glamorgan, who also pleaded guilty to two charges of conspiring to commit corruption were given suspended jail sentences. A quantity surveyor who pleaded guilty to four charges of corruption was also given a suspended jail sentence.

Judge Charles Pitchford, fining Andrew Scott (Civil Engineers) Ltd, of The Grange, Port Talbot, £125,000 on each charge and ordering the firm to pay £10,000 costs, said: "*If you had kept firm then none of* this corruption would have *taken place*. But you went freely into it and took your profits accordingly."

The town council's standing orders had been turned upside down, and on at least one occasion records of minutes were destroyed or interfered with.

"You were all in *clear* contempt of the basic principles of honest *local* government." They had gone to great efforts *to ensure what they were doing* was covered up. "Both sides *camouflaged* what they gave and what they got. They are corrupt now and they were corrupt then."

Graham Griffiths, aged 71, of Bromhil Street, Port Talbot, a former mayor and former leader of the Labour group on the borough council, was sentenced to 15 months' *imprisonment*, suspended for a year, and ordered to pay £600 costs. James Hughes Warren, aged 52, *also a former mayor* and a former member of West Glamorgan County Council, of Acacia Avenue, Sandfields, Port Talbot, was sentenced to nine months' imprisonment suspended for a year, and ordered to pay £800 costs.

Continued on page 2, col 3

Seven miners hurt in leap from pit train

Seven men were injured, one seriously, when they leapt from an underground "paddy" train which appeared to run out of control half a mile underground at Maltby colliery, near Rotherham, south Yorkshire, yesterday. The National Coal Board *said a diesel locomotive hauling* two cars ran away on a gradient. *The train was brought to a* halt without leaving the track.

The *Mines Inspectorate* and safety staff were investigating the incident last night.

Poll majority lacks faith in Government's policies but supports wage restraint

y David Nicholson-Lord

Six out of 10 voters disagree ith Mrs Margaret Thatcher's rthright assertion of faith in overnment policies, made last eek after the publication of gures showing unemployment assing the two million mark.

However, a poll by Opinion esearch and Communication Orac), *published* today, demonrates considerable support for e Government's approach to age increases. A majority of oth the public and trade union embers believes that the laim submitted last week by e engineers' union for inreases of at least 18 to 20 per ent is too high and that the ngineers should settle for less. *en per cent is the most popu*ur figure.

Half those questioned, includg 43 per cent of union embers, also said they elieved Mr Anthony Frodham, director general of the ngineering Employers' Fedration, was speaking the truth hen he said employers could afford nothing "but obviously we shall have to do better than that".

This compares with 32 per cent (38 per cent of union members) who thought Mr Frodsham was not speaking the truth.

The Orac survey was based on a nationally representative sample of 909 electors, interviewed within 24 hours of the release of the unemployment figures and of the claim by the Confederation of Shipbuilding and Engineering Unions. The engineers' claim, traditionally an early *indicator* of the autumn bargaining climate, last *year resulted in a damaging* 10-week dispute.

Voters were asked whether they agreed with Mrs Thatcher's statement, in response to the unemployment figures, that there would be no change in government policies "because they are right". Only 32 per cent (24 per cent of union members) said they did while 59 per cent (69) disagreed.

The sample divided down the middle, however, on the Prime Minister's view that unjustified wage increases and not the Government's economic policies had pushed unemployment beyond two million, with 45 per cent (34) agreeing and 45 per cent (58) disagreeing.

Sixty-one per cent (51 per cent of union members) thought the engineers' claim was too high and only 32 per cent (44) described it as reasonable. Seventy-four per cent (64) thought the engineers should *settle for a lower figure in the* national interest while 22 per cent (32) felt the union should get as much as it could for its members.

Almost one in two thought the engineers' rise should be 10 per cent or less and only 18 per cent thought they should be awarded more than 16 per cent. Even among union members, only one in four thought they should ask for more than 16 per cent.

Sterling closes above $2.40 to reach new high

The pound rose to its highest level for *more than five years closing at $2.4060*. Its effective exchange rate was 76.5 per cent of the 1971 level, the highest figure recorded since the new index was introduced in 1977. The pound's new strength reflects the impact of North Sea oil, and the high interest rates which has attracted money into London. But the high rates have caused problems for industry Page 15

China budget deficit

China has admitted a £5,000m budgetary deficit in contrast to past policy of balancing income with expenditure. The National People's Congress, meeting in Peking, were also told that defence spending rose sharply due to the invasion of Vietnam and would be trimmed back this year. Legislation on the taxing of foreign investments is to be implemented Page 6

Hostel is declared unfit to live in

A magistrate has declared that a 700-man hostel in Covent Garden, London, run by Westminster City *Council*, is "unfit for human habitation". The Campaign for the Homeless and Rootless, which requested the investigation, says the council is obliged by law to bring the hostel to the required standards or close it and provide accommodation for those displaced Page 2

Four policemen jailed

Four City of London policemen, including an *inspector*, stole goods worth £2,500 from a shop while investigating a burglar alarm call, the Central Criminal Court was told. The four, who were jailed for between nine and 18 months were caught when another policeman refused to be involved and told a superior officer Page 2

Scientific snobbery 'depriving industry'

Scientific snobbery has deprived manufacturing industry of talent from which it could have benefited, Sir Frederick Dainton, FRS, told the annual meeting of the British Association for the Advancement of Science. It was an aspect of the present national crisis to which more thought should be given, he said Page 3

Rail cuts: An economy drive by British Rail will cut local and Inter-City services starting next month 2

Tel Aviv: Professor rejects post in Mr Begin's Cabinet 5

Carter campaign: *President sets out on* election trail with a singing call 5

Egypt: An eight-page Special Report on the odd man out of the Arab world

Classified advertisements: Personal, pages 21, 22; Appointments, 10, 11, 21; Property, 11; Sale Rooms and Antiques, 11

England collapse: Australia bowled England out for 205 in the centenary Test match at Lord's and at close of play led *by 286 runs. Pascoe took five* wickets and Lillee four. Among *his victims were Boycott, top* scorer with 62, and Gower who made 45 Page 8

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HOME NEWS

Threat of a strike by firemen if planned cuts are implemented

By Donald Macintyre
Labour Reporter

Leaders of the Fire Brigade's Union will recommend a strike by the union's 36,000 members if redundancies are caused by cuts in the service, or if attempts are made to break the link between their pay and that of the top quarter of manual workers.

The strike threat, which would be put before a recalled annual conference later this year, emerged last night as the union produced its reply to the Government's Green Paper on the future of the fire service.

Firemen's leaders, who are already mandated by the annual conference to order a recall in the event of redundancies, fear that 3,000 jobs could go if proposals in the review on which the Green Paper is based are carried out.

FBU fears have been sharpened by the expectation that local authorities may exact the cuts as the price for continuing to fund the formula which links their pay to that of skilled workers and formed the basis of the settlement which ended the nine-week firemen's strike in the winter of 1977-78.

The union's executive has told its members that it will recommend "positive industrial action" if attempts are made to tamper with that formula because of a public sector pay norm, although there have been no indications that the local authority employers intend to do so.

However, citing possible cuts envisaged in the Green Paper, Mr William Deal, the union's president, said last night: "The executive will recommend strike action if there are to be redundancies or if the formula of firemen's pay is not met this year".

Proposals made by the Government would cause a substantial increase in losses from fire and "a dramatic increase in deaths", according to a report published by the union yesterday.

It says that the Green Paper, *Future Fire Policy*, suggests conclusions which, if implemented, would increase public risk at a time when recent figures put fire losses at £497,900,000 and deaths at 900 a year.

The union says the proposals could lead to a substantial fall in the number of appliances available for emergencies and a serious deterioration in the application of fire safety legislation to hotels, boarding houses and places of work.

Last month's drinking club tragedy in central London, in which 37 people died, has highlighted the need for more fire safety legislation rather than less, the union says.

The FBU leaders' anger has been increased because Mr William Whitelaw, the Home Secretary, while assuring them that their comments would be fully considered before decisions were taken, has declined to receive a union deputation.

The report complains that in the past 18 months local authorities have reduced the number of appliances available for emergencies by 47 and the number of firemen required to ride them by 676.

In addition the Greater London Council was applying to the Home Secretary for a reduction of 42 fire appliances in the capital.

Proposals based on the Green Paper and the accompanying review of fire policy could now mean a further drastic reduction in standards of fire cover that have operated since 1958.

Fire Safety—a public issue (Fire Brigades Union, 59 Fulham High Street, London, SW6).

British Rail to withdraw trains in economy drive

By Michael Baily
Transport Correspondent

Some little-used trains on local and Inter-City services will be withdrawn next month. Others will operate with fewer coaches, British Rail said yesterday.

More cuts will follow in January and May in a fresh effort by British Rail to contain a rising deficit which may reach £50m this year despite a proposed fare rise (the second this year after 20 per cent in January) of 15 to 20 per cent at the end of November.

The five regions have been instructed to make cuts of 2 to 3 per cent in train milage as an economy measure. They are deciding which trains can be withdrawn with the least loss of revenue and passengers.

None of the popular trains will be withdrawn, British Rail emphasized yesterday. Most cuts will be in off-peak periods like early afternoon and late evening, when passenger numbers have decreased even more.

Cuts will start to be made in provincial and Inter-City services next month and in January. Those in London and south-east services will follow in May.

The shorter trains will be mainly on Inter-City routes, where some 300 of British Rail's fleet of more than 16,000 passenger coaches will be retired early to cut maintenance costs.

The maximum cut in passenger train milage will be 10 million out of 200 million operated.

Four policemen jailed for clothes theft

Four City of London policemen, including an inspector, were jailed for between nine and 18 months at the Central Criminal Court yesterday for their part in a £2,500 theft from a clothing shop.

The inspector, who received the highest sentence, was said by his counsel to have been an "outstanding officer".

The court had heard that five policemen had taken the goods while investigating a burglar alarm call at Austin Reeds' shop in Fenchurch Street.

They were caught when another policeman, who refused to be involved, told a superior officer.

They were Inspector Brian Reginald Deacon, aged 41, of Croydon Road, Penge (18 months); Sergeant Stanley Kenneth George Ilsley, aged 44, of Warren Park, Worcester Park (15 months); Det Constable Leslie Alfred Nugent, aged 43, of Speed House, Barbican (12 months); and Acting Sergeant Frederick Thomas Jolley, aged 47, of Loxley Road, Wandsworth Common, all London (nine months).

Sentence on Police Constable Richard Arthur Burgess, aged 29, of Lavender Avenue, Brentwood, Essex, was deferred until next Monday. All had pleaded guilty to stealing clothing, suitcases, squash rackets and golf balls.

Compromise hope in Isle of Grain dispute

By Our Labour Staff

The first prospect of a compromise between the warring unions at the centre of the Isle of Grain power station dispute may emerge this week with a meeting to consider proposals for a truce.

Informal soundings between the General and Municipal Workers Union, representing the original laggers, and the three unions which face possible expulsion from the TUC for rejecting the Congress House formula for settling the year-old dispute, may result in talks between the two sides at Brighton in the next few days.

The three unions, all of whom have members among the substitute workers who took over the jobs of GMWU laggers, have been ordered to appear before the general council this month to explain their position.

The move is a required preliminary before proceedings which could lead to the suspension of the unions, the engineering and construction sections of the Amalgamated Union of Engineering Workers and the Electrical, Electronic, Telecommunication and Plumbing Union.

The three dissident unions will first meet among themselves and are expected to consider a further meeting with GMWU officials aimed at exploring a compromise to prevent a critical split within the TUC.

The threat that the conflict would spill on to the floor at the TUC conference evaporated yesterday after an offstage agreement that none of the unions would be the first to raise it when the official report on the issue was presented to delegates.

One possibility of a formula is that the GMWU laggers might work on the insulation of the £550m station's third unit while the substitute men would continue for the time being on the first.

That would be acceptable to the Central Electricity Generating Board, provided the laggers would be working within the bonus ceilings imposed by the board and at present yielding earnings of £4.60 an hour.

A stumbling block, however, is that the GMWU will insist that its members should in time replace those from other unions on the first unit, but there may be room for talks about the timetable for that.

Hopes for a compromise have been brightened by the willingness of the Thermal Insulation Contractors' Association and the GMWU to take part in national discussions aimed at reaching common pay levels for skilled workers on large construction sites.

Whitehall brief: Historian's jest about a job for Hitler had a sting in the tail

Trident missile decision was anticipated three years ago

By Peter Hennessy

One of the nicest compliments ever paid to the Royal Institute of International Affairs, or Chatham House as it is universally known from its fine building in St James's Square, London, came from the pen of Mr A. J. P. Taylor in his *The Origins of the Second World War*.

"The world", Mr Taylor wrote, "would have been saved a lot of trouble if Hitler could have been given a job in some German equivalent of Chatham House, where he could have speculated harmlessly for the rest of his life".

The sting in the tail of Mr Taylor's observation is the suspicion that Chatham House might even now be peopled by would-be Dr Strangeloves, kept safely distant from the Chiefs-of-Staff suite in the Ministry of Defence and the Cabinet Office war room, playing out their fantasies in harmless war games.

In fact, Chatham House is directed by that most fastidious of social democrats, Mr David Watt, and the nearest the institute gets to a mad-bomber is the lucid, liberal and highly restrained Dr Lawrence Freedman whose book, *Britain and Nuclear Weapons*, is to be published on September 25.

Dr Freedman heads one of Chatham House's most successful initiatives in recent years, its policy unit, which pours out Chatham House papers at the rate of six a year on topics of contemporary interest. Mr Philip Windsor, of the London School of Economics, for example, is presently putting the finishing touches to a highly topical survey of "Change in Eastern Europe".

The unit consists of Dr Freedman, Mrs Valerie Yorke, Miss Joan Pearce and a secretary. It receives £15,000 a year from the Foreign and Commonwealth Office, to which no strings are attached, and was launched with the aid of a two-year grant from the Leverhulme Trust which is now coming to an end.

The impetus for its foundation in 1978 was provided by a set of papers produced by a Chatham House study group on British foreign policy to 1985, particularly Mr Ian Smart's brilliant document on the future of the British nuclear deterrent. Despite a ban placed on the participation of Ministry of Defence officials by the Labour Secretary of State for Defence, Mr Roy Mason, Mr Smart's paper, published in 1977, anticipated to almost the last detail the decision-making process that led to the Government's announcement last July of its intention to replace the Polaris submarine squadron with a force built around the Trident missile.

Dr Freedman, who was closely involved in the deterrent study, says that the unit targets itself on an area "between short-term journalism and long-term academic stuff. If you hit the right issue you might be able to make something of an impact".

The purpose of the unit's publishing programme, he explains, is to encourage informed public debate in two ways:

1 Providing a lot of information, pulling it together, presenting it in a useful form and drawing attention to an issue.

2 Widening the range of options considered by the Government.

Among the most important consumers of Chatham House's wares are the new Commons select committees on foreign affairs and defence. Mr Watt advises the foreign affairs committee and Dr Freedman is a special adviser to the defence committee in its investigation of the Polaris replacement decision. Dr Freedman describes the committees as "the best thing that has happened to Chatham House as they provide us with an audience".

Dr Freedman, Mrs Yorke and Miss Pearce occupy just about the best non-Whitehall observation post for watching the Government's defence and foreign policy-making machine in action with their well developed private networks that would be the envy of any specialist journalist. Do they still think the British excel at what Kipling called "the Great Game"?

"Lord Carrington thinks he is good at it", Mrs Yorke says. "The trouble with Lord Carrington", Miss Pearce adds, "is that he has a low boredom threshold. If he has got some crisis to deal with he is good at it because he is interested."

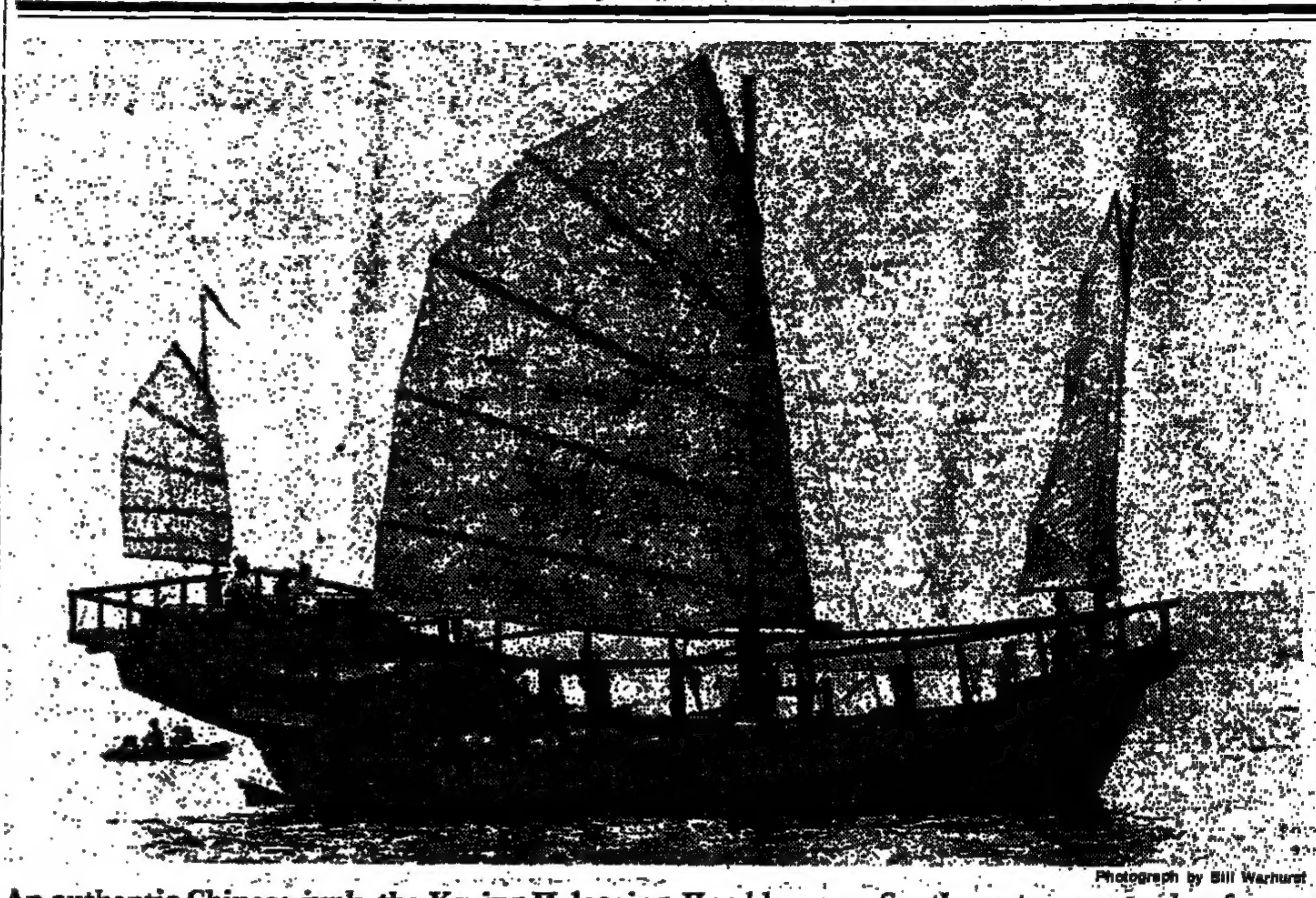
Dr Freedman believes that "a lot of foreign affairs is a question of style which we are good at. Lord Carrington looks like a British Foreign Secretary ought to".

They all agree, however, that the foreign policy machine has failed consistently on economic and trade matters which are still regarded as "a second class area that proper diplomats do not get involved in". The unit, and especially Miss Pearce, who was recruited from Lloyds Bank International, has concentrated strongly on this area of weakness.

The Foreign and Commonwealth Office is still living with the bite of Mr Dean Acheson's famous remark 20 years ago that Britain had lost an empire and not yet found a role. Perhaps, Mrs Yorke, mused, the last illusion is that Britain still has a role.

But other nations, especially the Arabs, still think we have a part to play in the construction of grand designs. Miss Pearce has developed a "burnt embassy test" to illustrate the point: "There is a tendency in a newly revolutionary country that after you have burnt down the United States embassy you go for the British embassy. In a backhanded way, there is the feeling that Britain has a role."

Britain and Nuclear Weapons by Lawrence Freedman, Papermac, £3.25 from September 25. Chatham House Papers can be purchased from RIIA, 10 St James's Square, London SW1, £5.



Photograph by Bill Warhurst

An authentic Chinese junk, the Keying II, leaving Hamble, near Southampton, yesterday for an eight-day voyage to London. It will take part in a Westminster pageant on September 13-14.

Role of the councillor 'threatened'

By Christopher Warman
Local Government Correspondent

The effectiveness of local councillors in making important decisions and dealing with the public is hindered by a lack of secretarial and research support, Sir Robert Thomas, former chairman of the Association of Metropolitan Authorities, said yesterday.

He was speaking after his appointment as chairman of an inquiry into the provision of support services for councillors set up by the Association of Councillors.

The association is concerned that the role and status of the elected member are under increasing threat from central government, from non-elected public bodies, and from the growth of specialization and sophisticated management techniques.

Many of those serve to enhance the effectiveness of the local government officer, but leave the elected member isolated, the association believes.

Sir Robert, who was leader of Greater Manchester Council from 1973 to 1977, said that there was secretarial help in some authorities for members, but it was not known how much was available in all authorities.

"Some assistance is really a necessity if the ordinary councillor is to do the job efficiently. When we find out what the situation is we shall be able to see what is necessary."

He believed that the lack of support prevented the councillor from carrying out his work properly and made it more difficult to gain the understanding of the people he served. "A councillor has a difficult job to get his views across, and he would be in a better position to do so with more support".

700-man hostel 'unfit for human habitation'

By Frances Gibb

A hostel for 700 men in Covent Garden, London, run by Westminster City Council, has been declared "unfit for human habitation" by a Bow Street magistrate.

The magistrate's ruling, under the Housing Act, 1957, has been sent to the council. There have been repeated complaints about the insanitary state of the turn-of-the-century hostel, Bruce House, in Kemble Street.

A report commissioned by the council from a firm of consultants earlier this year said that the building was impregnated with damp, its gutters were choked with rubbish, and that much of the building lacked heating in the winter.

The report, presented to the council's social services committee in June, also said that fire precautions were inadequate; the electrical system was heavily abused because of men wiring in their own electric fires; and that missing or damaged drains constituted a health hazard.

"The ventilation system is poor in the extreme. Much of the passage of foul smells derives from the fact that the ventilated lobbies to the toilet areas are allowed to remain with both doors open all the time and the extractor fans not working."

The investigation by the magistrate, Mr W. F. C. Robins, came at the request of the Campaign for the Homeless and Rootless, which has been pressing for nearly three years for action over the lodging house.

The building has been little altered since it was built in 1906 and the campaign believes it is "certainly the worst run by a local authority".

Mr Nicholas Beacock, the campaign's director, said yesterday that calling in the magistrate had been necessary because the council was failing to carry out its duties. "We are delighted with the finding."

The council was now obliged by law to conduct its own investigation and either bring the lodging house to the required standards or close it and provide alternative accommodation for anyone displaced, he said.

"This is one of only a dozen or so lodging houses run by local authorities, and what it amounts to is that its own environmental health department has failed to keep it up to the required standards," Mr Beacock said.

A Westminster City Council officer said that the council had long been aware of the hostel's failings, which was why it had commissioned the report. As a result of that, a working party had been set up and that would consider the magistrate's letter on Thursday.

The working party had made some improvement. It was examining possible options such as bringing it up to standard, which would cost an estimated £2m to £3m, or closure and setting up different kinds of accommodation.

"All the magistrate is saying is that there is a need for an investigation. We have already done that. We acknowledge that there are problems, but the question which has not yet been decided is what the solution should be."

The officer added that the council was not legally obliged to provide accommodation such as that at Bruce House.

Men pay £1.65 a night for a cubicle about 7½ ft by 4 ft with the use of baths and a dining area.

Children of smokers can be less bright

By Our Health Services Correspondent

Women who smoke while pregnant can slow down the intellectual development of their child, a report published today says.

Children of mothers who smoked while pregnant scored less well in reading and mathematics tests at 16 years of age than children of non-smokers, according to the report, from the National Children's Bureau.

The report, summing up the results of tests given to 6,000 children born between March 3 and March 9, 1958, confirms the results of tests on the children at seven and 11 years of age.

The findings are reported in a paper by Mr Kenneth Fogelman, assistant director (research) of the bureau, in the journal, *Child Care, Health and Development*.

Mr Fogelman said yesterday that investigations into height and respiratory disease did not produce such a clear cut relationship. The girls in the sample, who by the age of 16 had mostly reached their full height, were not smaller if their mothers had smoked. The boys, however, who had not reached their full height, did vary in height according to whether their mothers had smoked, suggesting that growth rates were affected.

Children of heavy smokers were more likely to have suffered an attack of asthma or wheezy bronchitis by the age of 16 than other children, but children of moderate smokers suffered such attacks less than children of non-smokers.

Mr Fogelman said that could be related to the smoking habits of the children, which had not been examined.

County courts change urged

By Our Legal Correspondent

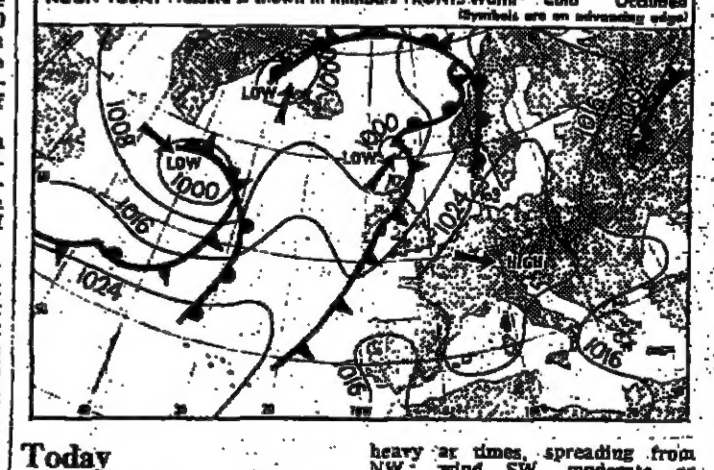
Proposals to transfer more civil cases now dealt with in the High Court to the county courts would release three or four High Court judges for more urgent cases and to clear arrears.

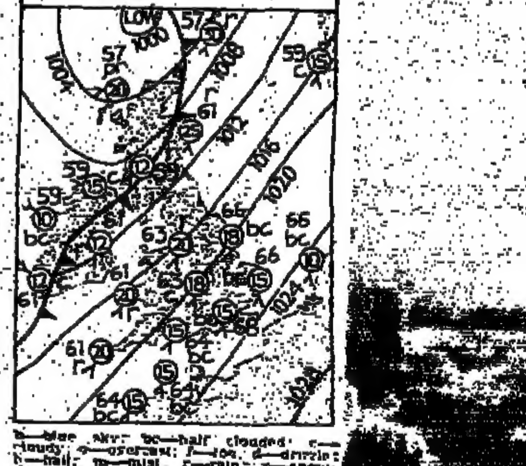
A consultative paper drawn up by the Lord Chancellor's Office proposes that county courts should be able to hear cases involving up to £5,000. At present if the amount in issue is more than £2,000 it has to be dealt with by the High Court.

The reform would mean that about 300 of nearly 3,500 trials annually could be heard by county courts instead of the High Court.

In the county court the Lord Chancellor's Office proposes that the upper limit for the cheap, informal and speedy "small claims" procedure should be raised from £200 to £500.

Weather forecast and recordings





b—blue sky; bc—half clouded; c—cloudy; o—overcast; f—fog; d—drizzle; h—hail; m—mist; r—rain; s—snow; th—thunderstorm; p—showers; pr—periodical rain with snow. Wind speed in mph.

Today

Sun rises: 6.15 am Sun sets: 7.45 pm
Moon sets: 3.14 pm Moon rises: 12.12 am tomorrow

New moon: September 9.
Lighting up: 8.15 pm to 5.46 am.
High water: London Bridge, 7.53 am, 6.4m; 8.12 pm, 6.5m. Avonmouth, 12.57 am, 11.2m; 1.17 pm, 10.7m. Dover, 4.55 am, 5.9m; 5.20 pm, 5.9m. Hull, 12.18 pm, 6.6m. Liverpool, 5.14 am, 8.3m; 5.30 pm, 7.9m.
1ft=0.3048m 1m=3.2808ft.

A low trough will move NE to N of Scotland, the associated trough of low pressure moving SE across N Britain.

Forecasts for 6 am to midnight:

London, East Anglia, SE England: Dry, bright or sunny periods; wind S, light; max temp 22° to 24°C (72° to 75°F).

Midlands, E, Central N and Central S England: Dry, bright or sunny periods, becoming more cloudy; wind S or SW, light or moderate; max temp 22°C (72°F).

Channel Islands: Dry, sunny periods; wind S, light; max temp 20°C (68°F).

SW England, S Wales: Dry, bright or sunny intervals, cloud thickening with hill and coastal fog, occasional drizzle later; wind SW, moderate; max temp 17° to 19°C (63° to 66°F).

NW and NE England, N Wales: Mostly dry, rather cloudy, a few bright intervals at first, rain, heavy at times, spreading from NW; wind SW, moderate or fresh; max temp 17° to 19°C (63° to 66°F).

Lake District, Borders, Edinburgh, Dundee, Glasgow, SW Scotland, Isle of Man: Mostly cloudy, rain, heavy at times, hill fog; wind SW, fresh, perhaps strong; max temp 17° or 18°C (63° or 64°F).

Outlook for tomorrow and Thursday: Rain in parts of England and Wales will die out. Some sunshine on Thursday. Scotland and N Ireland will be dry with sunny intervals but rain will spread E later. Temp near normal.

Sea passages: S North Sea, Strait of Dover, English Channel (E): Wind S, light, increasing to moderate; sea slight.

St George's Channel, Irish Sea: Wind S or SW, fresh, occasionally strong; sea mainly moderate.

At the resorts

(24 hours to 6 pm, September 1)

	Sun hrs	Rain in	Max temp °C	°F	
E COAST					
Scarborough	1.3	—	20	68	Cloudy
Bridlington	0.9	—	17	63	Cloudy
Gorleston	13.6	—	18	64	Sunny
Clacton	8.6	—	20	68	Sunny
Margate	9.2	—	19	66	Sunny
S COAST					
Hastings	10.9	—	19	66	Sunny
Eastbourne	10.5	—	19	66	Sunny
Brighton	9.5	—	19	66	Sun pds
Bognor	9.7	—	19	66	Sunny
Southsea	10.2	—	20	68	Sunny
Exmouth	8.1	—	20	68	Sun pds
Torquay	7.9	—	19	66	Sun pds
Falmouth	7.1	—	18	64	Sun pds
W COAST					
Morecambe	1.5	—	19	66	Cloudy
Blackpool	4.4	—	20	68	Sun ints
Anglesey	5.0	—	18	64	Sun ints
Ilfracombe	6.5	—	19	66	Sun pds
Newquay	4.2	—	18	64	Sun ints

WEATHER REPORTS YESTERDAY MIDDAY: c, cloud; f, fair; r, rain; s, sun.

		C	F			C	F			C	F			C	F
Akrotiri	s	29	84	Copenhgn	s	16	61	London	s	21	70	Oslo	s	19	66
Algiers	s	27	81	Florence	s	29	84	Luxembrg	c	15	59	Paris	f	19	66
Amsterdm	f	17	63	Funchal	f	25	77	Madrid	f	30	86	Reykjavik	f	12	54
Athens	s	27	81	Geneva	f	19	66	Majorca	f	29	84	Rome	s	27	81
Barcelona	s	26	79	Gibraltar	f	26	79	Malaga	c	27	81	Ronldsway	s	16	61
Beirut	s	29	84	Guernsey	s	17	63	Malta	s	27	81	S Francisco	s	18	64
Belfast	c	16	61	Helsinki	s	17	63	Miami	t	25	77	Stockholm	s	18	64
Bermuda	s	28	82	Innsbruck	f	18	64	Montreal	f	27	81	Tel Aviv	s	28	82
Biarritz	s	24	75	Istanbul	s	25	77	Moscow	c	11	52	Toronto	f	24	75
Brussels	f	18	64	Jersey	f	19	66	Munich	f	11	52	Venice	s	24	75
[illegible]	f	19	66	L Palmas	s	21	70	Naples	s	27	81	Vienna	f	15	59
Chicago	f	24	75	Lisbon	s	26	79	Nice	s	27	81	Warsaw	f	13	55
Cologne	c	17	63	Locarno	s	26	79	New York	r	31	88	Zurich	f	15	59

Yesterday

London: Temp: max 7 am to 7 pm, 23°C (73°F); min 7 pm to 7 am, 13°C (55°F). Humidity, 7 pm, 60 per cent. Rain, 24 hr to 7 pm, nil. Sun, 24 hr to 7 pm, 10.6 hr. Bar, mean sea level, 7 pm, 1,027.4 millibars, steady.
1,000 millibars=29.53 in.

September forecast

The Meteorological Office yesterday issued the following forecast for September:

A good deal of dry, sunny weather is expected, especially in the first half of the month in the S, but with some cold nights. Unsettled spells are also likely, at first chiefly in the N but later becoming more general with some stormy days in all areas.

Over the month as a whole temp and sunshine are expected to be above average in S Wales, the Midlands and S England, and near average elsewhere.

Overseas selling prices
Australia $2; Austria Sch 20; Bahrain BD 0.600; Belgium B frs 30; Canaries Pes 80; Cyprus 400 mils; Denmark Dkr [illegible]; Finland Mks [illegible]; France Frs [illegible]; Germany Dm 2.50; Greece Dr 45; Holland Gl 2.35; Iran Rials 110; Iraq ID 0.350; Irish Republic 20p; Italy L 1100; Jordan JD 0.275; Kuwait KD 0.500; Lebanon LL 4.00; Luxembourg LF 30; Madeira Esc 50; Malta 20c; Morocco Dir 5.00; Norway Kr 5.00; Oman OR 0.640; Pakistan Rps 10; Portugal Esc 50; Qatar QR 6.00; Saudi Arabia SR 3.25; Singapore $4.5; Spain Pes 75; Sweden Skr 5.00; Switzerland S Frs 2.70; Syria LS 4.50; Tunisia Din 4.50; US [illegible]; Canada $1.50; UAE Dr 6.50; Yugoslavia Din 40.

Published daily except Sunday [illegible]

Court hears 'seedy' story of corruption

Continued from page 1

Peter Wyndham Gash, aged 54, a quantity surveyor of Merthyr Mawr Road, Bridgend, was sentenced to six months, suspended for a year, fined £4,000 and ordered to pay £2,000 costs.

Mr Gash pleaded guilty to corruptly giving Mr Warren, a member of Port Talbot Borough Council, accommodation facilities at the London Hilton as an inducement or reward for doing certain acts in relation to the council's affairs, and to a similar charge involving Mr Griffiths at another London hotel.

He also pleaded guilty to giving Mr Warren £100 in cash as an inducement or reward and a similar charge of giving Mr Griffiths £36.49.

He pleaded not guilty to two charges of conspiring to commit corruption. Transwide Travel Ltd, of Forge Road, Port Talbot, pleaded not guilty to four similar charges, and Clifford John Thomas Brown, a company director, aged 52, of Howells Lane, Swansea, also pleaded not guilty to two charges of conspiring to commit corruption.

The judge directed that the charges against Mr Brown and Transwide Travel should remain on the file.

Mr Gareth Williams, QC, for the prosecution, said: "The story is a rather gloomy and seedy one." It was the last in a series of corruption trials which had taken place in South Wales since police inquiries involving three forces, Dyfed, West Mercia and South Wales, had begun in 1974.

He said that in the early 1960s Port Talbot was a desirable prize for those in the building industry. By 1976 the town centre development was costing about £5,000,000. For much of the time Mr Gash's firm was quantity surveyors to both Scott's and the town council. Transwide Travel operated what in some circles was called "a slush fund" to conceal payments to officials and councillors mainly relating to free hotel accommodation.

He said Mr Griffiths, a magistrate and MBE, and one time chairman of the council's planning committee, had accommodation in London on 15 occasions paid for by Mr Gash, Scotts, and by John Morgan Harries, an architect.

From 1970 to 1976 Andrew Scott had received £995,465 from the Port Talbot council, and Mr Gash's firm had received fees of £447,741 between 1960 and 1974.

Mr Harries had received fees of £137,815 from 1962 to 1974.

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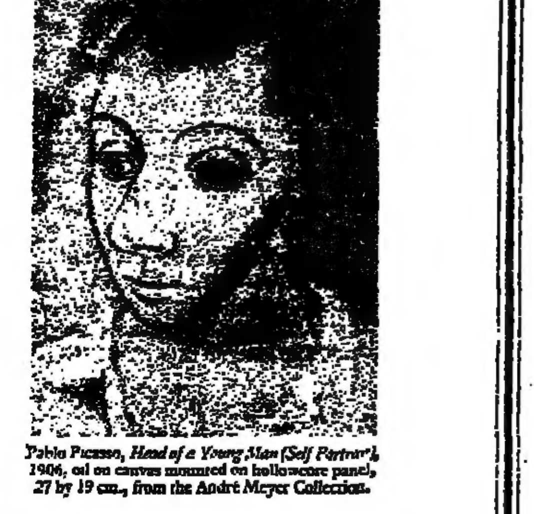
announces an
Exhibition of
IMPRESSIONIST AND OLD MASTER PAINTINGS
selected from the
André Meyer Collection
(to be sold in New York on 22nd October, 1980)
and from the
Collection of the late Helen Janssen Wetzel
(to be sold in New York on 8th October, 1980)
to be held at The Royal Academy of Arts
Burlington House, Piccadilly, London W1
from Monday, 8th September to Saturday
13th September, 1980.



Pablo Picasso, Head of a Young Man (Self Portrait), 1906, oil on canvas mounted on hardboard panel, 27 by 19 cm., from the André Meyer Collection.

Illustrated catalogues will be available two weeks in advance of the sale from Sotheby's, New Bond Street.
Enquiries about these sales should be addressed to Michel Strauss.
Sotheby Parke Bernet & Co.,
34-35 New Bond Street, London W1A 2AA
Telephone: (01) 493 8080 Telegrams: Abinitio, London
Telex: 24454 SPBLONG

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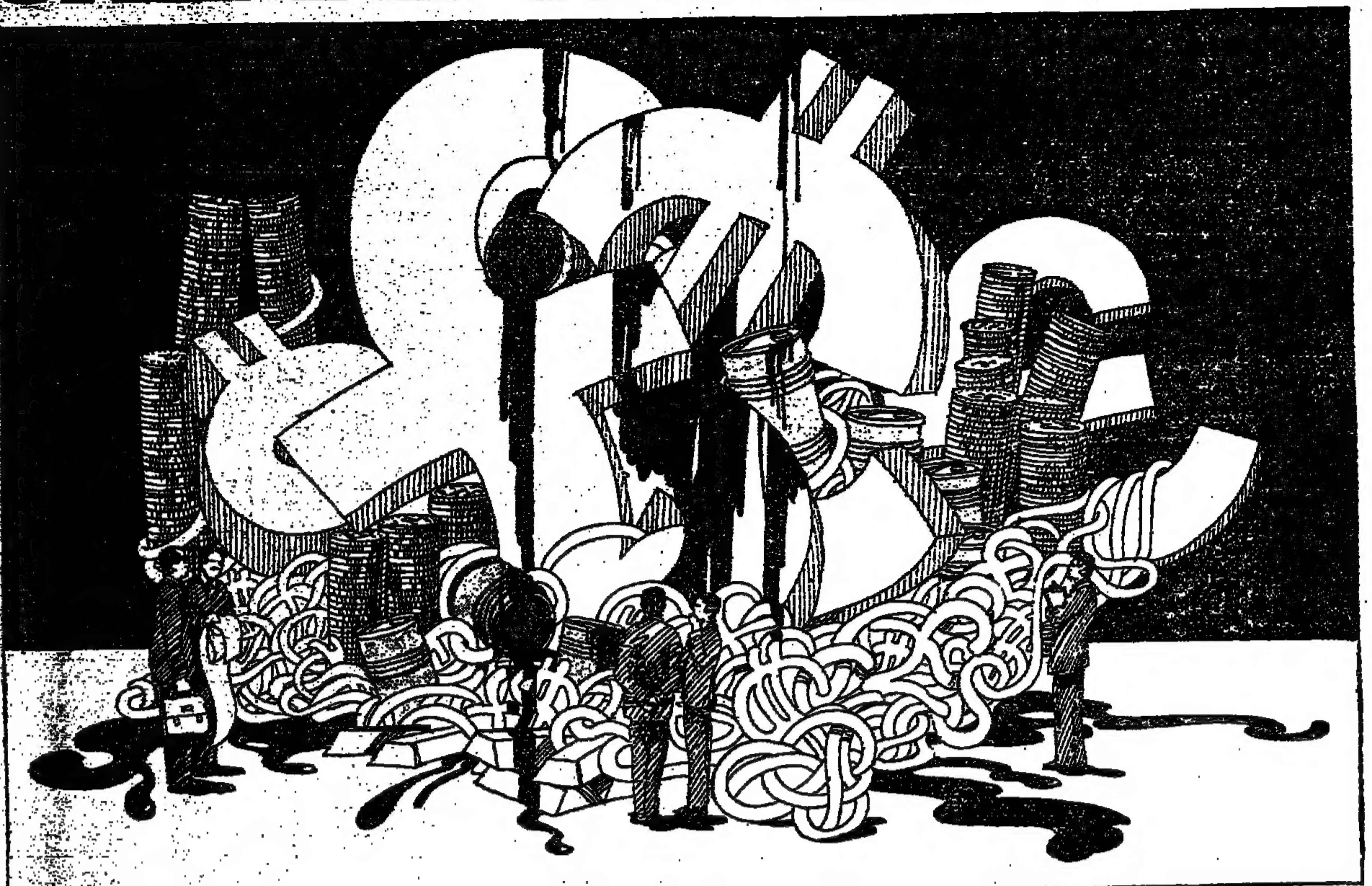
ANNUAL FINANCIAL REVIEW

This report marks the opening in Washington today of the annual general meeting of the International Monetary Fund and the World Bank



Brian Ewing

ON OTHER PAGES

The 1980s have begun for the world economy very much as the 1970s ended. The three problems of inflation, recession and payments imbalances remain unresolved. Only their proportions seem to change from one year to the next. Sometimes inflation appears to be coming down as a result of recession and governments feel they can breathe again and restore growth. Inflation then accelerates.

Sometimes growth shows signs of reemerging as the world adjusts to the price of energy. That produces domestic inflation in the West and a new increase in oil prices, which brings back the Opec surpluses. Sometimes it seems that the world has found a way of recycling the Opec surpluses to the countries which need them. That provokes a new boost to liquidity and starts inflation.

As finance ministers of the world meet at the International Monetary Fund it is clear that 1980 has been the year of a move towards recession. The inflationary pressures built up during 1979, especially in the United States, have forced a move towards more restrictive policies.

The tone was set at last year's meeting in Belgrade, when ministers agreed that the fight against inflation had to take top priority. Inflation had fallen to 6½ per cent in the 24 members of the Organization for Economic Cooperation and Development during 1978. In 1979 it was up to 8 per cent and in 1980 it is likely to be about 12 per cent.

The cause of this new series of price rises was oil. Since 1978 the Opec countries have been steadily edging the price of oil upwards in an effort to restore the real value of their product, which has been eroded by inflation. At the same time as the world oil price has been rising the United States has been trying to stop its own oil being priced at a level far below that in the rest of the world.

So far, this external shock to the prices of the industrial countries and to the non-oil developing nations has not provoked an increase in their own costs as it did in 1974. Consumers have been forced to accept that the prices they pay in the shops will rise while their own incomes may not keep pace.

Thus, although consumer prices rose sharply, the measure of costs contained in the gross national product deflator (which, as a measure of inflation in the whole economy, is a better indicator of how domestic pressures are moving), has hardly increased for the industrial countries.

There can be little doubt that the reason for this is the recession. The industrial nations have entered this recession with unemployment at a high level—about 20 million in the OECD as a whole. By the end of next year it is liable to have reached about 23 million, with particularly large increases having occurred in the United States and in Britain.

The rise in unemployment is concentrated on young people, who find no jobs on leaving school. The percentage of unemployed young people is well into double figures in most industrial nations, and in some countries, such as Italy, nearly a quarter of the young people are unemployed.

The Western world is thus faced with a problem which it has not known since the last war—a generation of young people used to high unemployment rates and finding it difficult to become integrated in the workforce.

The pace of recession in some countries has been so great that it is not just the young who have had problems. In the United States and in Britain the decline in output has been so sharp that there have been many redundancies. This has led to rising unemployment in all groups.

There are two vital questions about the recession: just how deep will it be, and will it do the job of holding down inflation? At the moment, the answer to the first question looks like being that the recession is showing signs of being surprisingly mild—at least in the United States and most of Western Europe.

The initial stages of the recession in America were sharp, but many of the indicators are now suggesting that a recovery is under way. Indicators which have a good record in the United States in predictions about the economy are pointing firmly upwards, and there are some signs that output during the third quarter may have actually risen, instead of falling as was expected.

The European recession, outside Britain, has been later arriving than that in the United States, with most countries having positive growth in the first half of this year before a decline in output in the second half. But the scale of the recession in Europe is not expected to be on a par with that recorded in 1974-5, even though the increase in the oil price from 1978 onwards was expected to have as big an impact on the world economy as the oil shock of 1973.

There are two reasons for this. One is that all the Western countries seem to show more resistance to the idea that their domestic prices should rise in line with the price of oil. As long as governments do not accommodate their inflation by boosting demand there is a straight choice for an *economy*.

If prices rise, this is bound to be at the expense of output and employment. The relative mildness of the current inflation is thus a sign that the Western economies are slightly better at adapting than they were in the mid-1970s.

The second reason for a relatively good performance is that the burden has been spread more sensibly among industrial countries. There has been a negative shift of \$80,000m in the current accounts of industrial countries between 1978 and 1980, but three quarters of this has been concentrated in the three countries Germany, Japan and Italy, whose current accounts had the biggest surpluses in 1978. So the burden of adjustment has been taken *by those countries best able* to carry it, although some of the smaller nations may have problems.

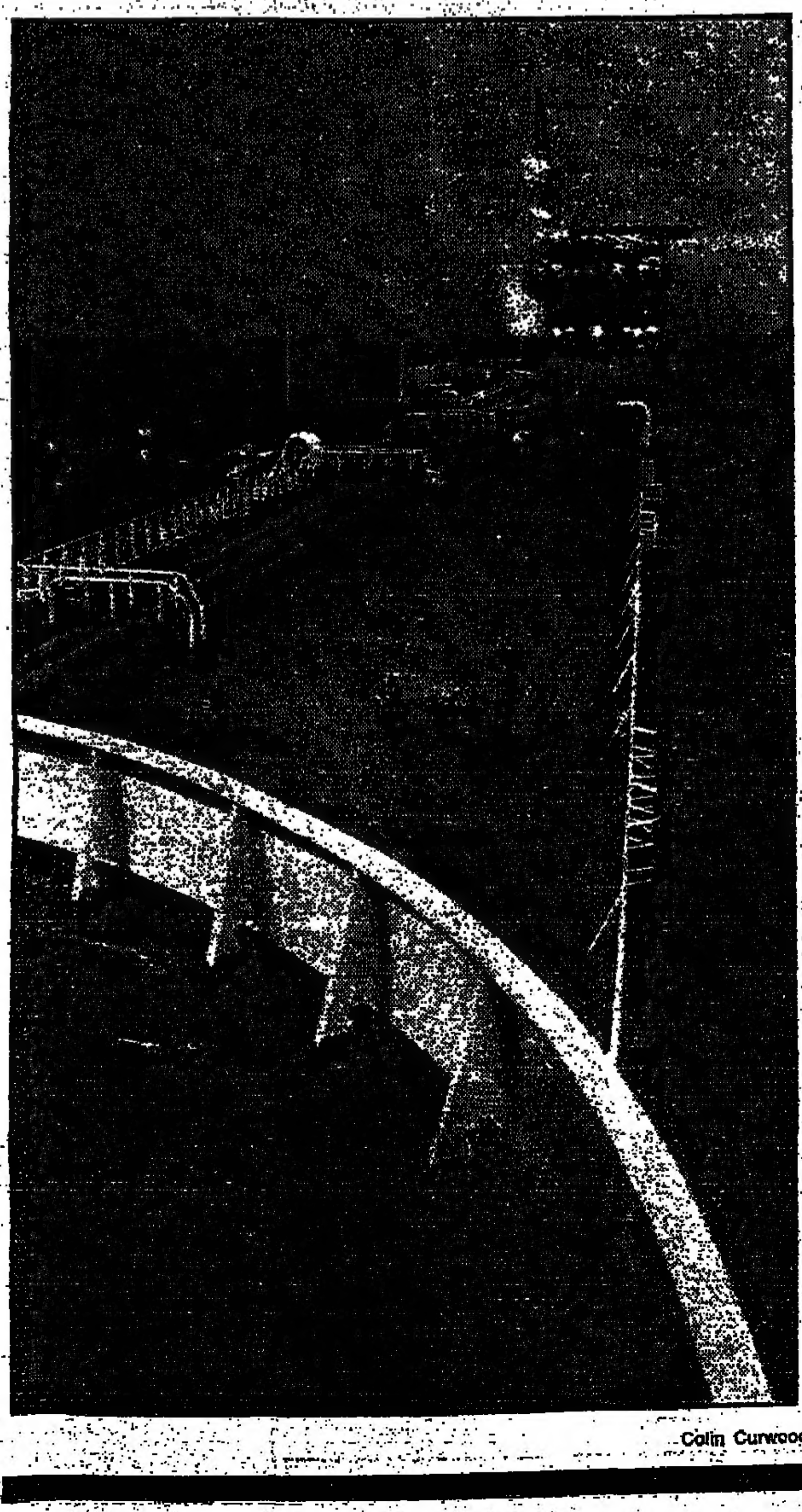
Although the recession is not likely to be particularly long-lasting, the world cannot look on its performance with any great complacency. Inflation was high before the recession started and the signs are that the next recovery is beginning with prices rising faster than during the previous recovery. There are worrying signs that at the first real sign of recovery there could be a quickening of inflation.

There is also a big problem of payments imbalances for the world in the coming year. The Opec countries are expected to have a \$115,000m surplus this year and a large surplus next year. For many developing countries obtain*ing the funds to cover the* deficits which these surpluses match will be a hard task. This task is not likely to be made easier by the evident difficulty within the IMF of ensuring access to new sources of cash for the year ahead.

David Blake
Economics Editor

Oil

This time the shaikhs mean business



Colin Curwood

The increase in oil prices put into effect by the Organization of Petroleum Exporting Countries (Opec) over the past year is generally *reckoned to have* raised member countries' revenue by some \$160,000m.

The figure sounds a large one; as oil-importing nations have discovered the consequences of such an increase in their costs is not only considerable but, in many instances, uncomfortable. In terms of total world economic activity the figure is not, however, that large. Its real significance shows through in the context of international trade balances and financial flows.

During the mid-1970s the real value of the 1973 oil price increase was being steadily eroded and Opec surpluses were declining against a background of rising spending and imports.

This time round nobody is counting on a repeat performance. First, it seems that Opec will be far more effective in its attempt to maintain, and then steadily increase, the real price of oil, essentially through better control over production. Second, it seems likely that Opec spending on imports States Administration, with will not rise as fast as in the past, *leaving the current* account surplus at an extremely high level—\$100,000m or more—for several years to come.

Inevitably, the redeployment of Opec revenue in general, and the recycling of the current account surplus in particular, are issues that absorb a great deal of time and create a great deal of anxiety. But though we have recently seen these issues return to prominence in public debate, they have not dominated the public platform in quite the way one might have expected this year.

There are, I think, three main reasons for this. First, developments in Iran and Afghanistan, indeed around the whole of the Middle East, have tended to divert attention from the price of oil to the security of supplies. Second, the United the presidential election looming this autumn, has had to concentrate on the overall difficulties facing the United States economy rather than simply the energy-induced problems. Third, the more general obsession with domestic economic problems among the developed countries has produced a lack of any real interest (let alone agreement) on how to deal with the implications of the higher energy prices on the Third World. The Brandt report, for instance, has not exactly set the world alight.

None of this should be allowed to encourage the view, however, that the issues on the table are any less important than are often supposed. Certainly, it may be perfectly reasonable to suggest that the richer nations protest too much. Certainly, it may be perfectly reasonable to say that there has been *precious little sign* this year (in spite of Iran, Poland or Turkey) of the fabric of the international financial system falling apart. But to state categorically that no chickens will come home to roost in the future as a result of recent developments seems to be dangerously complacent.

Leaving aside the problems of the direct impact on the developed nations of higher Opec oil prices, the central issue remains that of the recycling of Opec surpluses and the connexion between this and the ever-growing debt of the oil-importing developing nations.

Almost by definition, these countries are deficit nations, needing to borrow heavily in international markets as they seek to expand. Very much higher energy prices both damp their export prospects and add to their import costs; and when the developed countries pursue tight money policies to check domestic inflation world interest rates *rise, adding significantly* to the cost of debt-servicing.

As members of Opec build up larger financial surpluses, the funds to finance these deficits are, of course, there. But that does nothing to ease the dilemma of the international banker. All he sees is a situation in which the creditworthiness of the borrower may be fast diminishing on the one

continued on page III

International Banking & Finance

BNP

Europe—20 countries
Americas—14 countries
Africa—22 countries
Middle East—7 countries
Far East—13 countries

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Total assets of BNP Group as at 31st December 1979 US\$99,000 million

Debt problem becomes acute

Old loans burden

The international payments problems or increasing numbers of developing countries are now becoming acute.

They are rapidly depleting their holdings of foreign exchange reserves, swiftly accumulating debt to cover their trade deficts and pay interest on old loans, finding it progressively harder to borrow funds in the international capital markets.

International Monetary Fund forecasts suggest that developing, oil-importing countries may this year have a combined payments defict of $70,000m and an even larger one next year. They already have outstanding loans from the commercial banks of more than $300,000m.

There is unquestionably a need for a new strategy to deal with the payments problems. The oil exporters are determined to secure continual big payments surpluses and, at least for the next few years, they have the power to do so. Thus the importers' debts will continue to rise.

As this happens, the importers will become increasingly less credit-worthy in the eyes of private bankers. Simple prudence is now already forcing the banks to slow down the pace of their new loan commitments to this class of borrower.

The banks will play a smaller role in financing payments deficits in the next few years than they did in the recent past. In consequence, the governments of wealthy nations and such institutions as the World Bank and the IMF will have to play a proportionately larger role.

To a degree, the World Bank and the IMF have already started to develop new policies, but their success will in part depend on the volume of funds at their disposal. The oil-exporting countries, like most leading industrial countries, have so far failed to increase significantly the amount of cash they directly make available to developing countries to finance payments deficits.

Leaders of the fund and the World Bank are now striving to persuade national governments to provide more cash. A new increase in the IMF's quotas is being voted upon and the fund is conducting special talks on new financing arrangements with the strongest Middle East oil-exporting countries.

There is a danger, however, that the complacency of some governments may result in cash shortages at the IMF 12 to 18 months from now, leading to a crisis in the global financial system.

The new strategy being worked out by the multilateral institutions involves a greater degree of cooperation between the IMF and the World Bank than ever before. The bank is for the first time providing structural adjustment loans to countries. These loans may eventually lead to broad changes in a country's economy that can permit it to overcome the financial strains of mounting oil import bills.

Meanwhile, the fund is showing more flexibility in providing short to medium-term loans to nations so that they can deal with the immediate and prospective oil import financial problems and debt-serving problems that they face. Under the fund's new policies countries will be able to borrow substantially more than before. They will be able to repay their loans over longer periods.

If the combination of more flexible IMF loans with World Bank structural loans works well—which demands adequate funds being available to the institutions and close cooperation between them—commercial banks may be encouraged to take a brighter view of the economic prospects of many developing countries and make more cash available to them.

Securing stability in the global financial system at a time when so many nations face crippling external financial problems is an extremely difficult business. Success here is going to demand considerable skills and it is questionable whether there are sufficient skilled people in the international institutions, the banks, the donor and recipient governments.

Frank Vogl

Poor countries' grim outlook

Crisis in Third World

Prospects for many of the developing countries have seldom looked grimmer than they do today. The latest round of oil price increases has added thousands of millions of dollars to the import bills of those Third World nations without oil of their own. The economic recession in the West is slicing thousands of millions of dollars from their export earnings.

At the same time, their debts are piling up. At best, economic growth rates in the early 1980s will be below those achieved in the 1960s and 1970s. At worst, some of the very poorest countries could suffer a drop in national incomes.

It all amounts to the worst economic crisis that most oil-importing Third World nations have faced since they gained their political independence. The indications are that the crisis will not be temporary, like the one that followed the quintupling of the oil price in 1973-74. After that increase, most developing countries made the necessary adjustments surprisingly quickly.

Today, the problems look more enduring. One reason for this is the likelihood that the real price of oil will continue to rise steadily, rather than decline as it did between 1974 and 1978. Another arises from the policies pursued by the industrialized states in their struggle to contain inflation. The priority given by these countries to checking the rise in prices means that the recovery in the West will be quite slow.

This, in turn, means that world trade will grow more slowly than in the past and so will the exports of the developing countries.

The general deterioration in the economic and political atmosphere will also make it more difficult for the Third World nations to obtain the loans they need to finance their external trade deficits. At the same time, the very poorest nations also look like getting less financial aid on easy terms from the rich nations. Yet higher oil prices alone are calculated to make the collective import bill of oil-importing developing nations this year $24,000m higher than it was in 1978.

The result is that the total trade deficit of these countries will be about $70,000m this year, or about twice the level for 1978. This deficit will go on rising in money terms, if not in real terms, for the rest of the decade.

The oil-importing developing countries are thus faced with the dilemma of either cutting back their imports, and consequently their development programmes, or borrowing huge sums to finance their trade deficits. There are, however, considerable doubts about whether even the better-off developing countries can borrow all the money they need. The foreign debts of these countries are already *enormous, and have to be* repaid out of export earnings. If export earnings drop, the repayment burden increases.

The World Bank calculates that even on the most favourable assumptions about economic growth, the better-off developing countries could have to earmark nearly 30 per cent of their exports for repayments of debt and interest payments by 1985. For some countries the figure could be much higher.

The pace of economic growth in the developing countries thus depends critically on the level of funds they can obtain and the trade performance of industrial nations. In the 1960s and 1970s, the expansion of gross national product per head in the developing countries was on average about 3 per cent. Even on the most favourable assumptions, this growth rate will fall in the first half of the 1980s to below 2½ per cent for the oil-importing Third World nations. On less favourable assumptions, the growth rate will, on average, drop below 2 per cent for these countries.

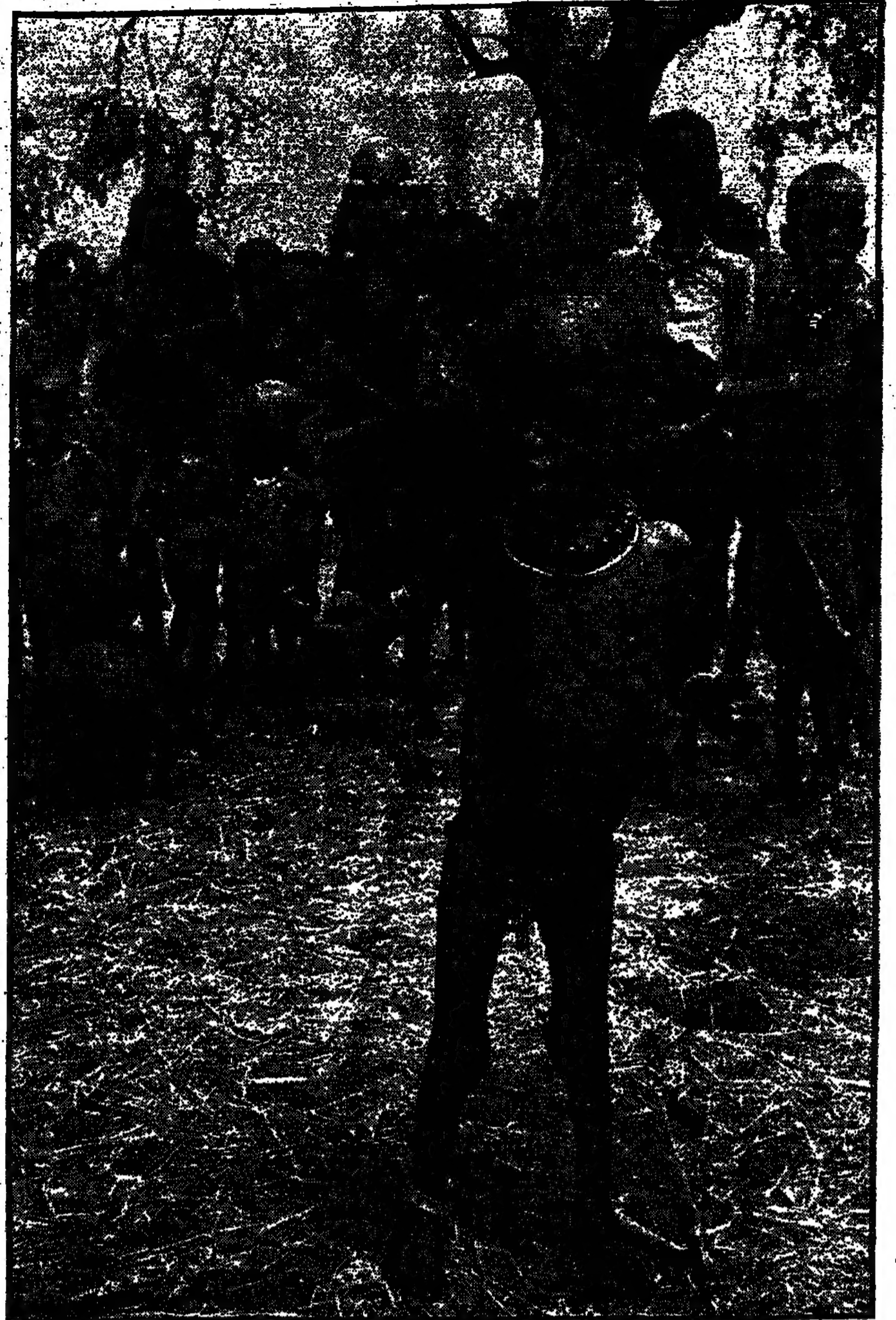
But some poor nations will do worse than the average. For example, in Africa sub-Saharan countries could see their economies contracting in the next five years, according to the World Bank. In Asia, economic growth per head could be down to 1 per cent over the same period.

It is not difficult to imagine what these stark statistics could mean for people living in the world's poorest regions. In 1980, the number of people with incomes below the absolute poverty line is roughly 780 million. If economic growth proved to be less than the World's Bank most favourable assumptions, this number could swell in this decade to about 800 million. Alternatively, if growth proved to be as high as hoped, the number in absolute poverty could decline to about 720 million.

But, for such a decline to occur, it would require that the rich nations gave more financial aid to the very poorest than they have recently. Unfortunately some of the richer countries, such as Britain and the United States, have been cutting back their aid budgets and directing more of their aid to the better-off developing countries, rather than to the very poorest nations. Unhappily, as the World Bank concludes, the extent of absolute poverty in some regions of the world seems likely to increase.

It is against this background that the world's rich northern and poor southern nations have locked horns in battle over reform of the international economic and financial system. The developing nations want to scrap the present economic order and start again. This is strongly resisted by the rich nations, who believe that, in spite of its shortcomings, the present system can be nursed back to health. If the developing countries do as badly in the next few years as now looks quite probable, this struggle between "haves" and "have nots" is certain to become increasingly bitter.

Melvyn Westlake



Child victims of famine in Uganda.

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Gold's renewed fascination

Trade of proud 'barbarians'

At the height of the gold boom in January a London stockbroker, well known for his support of the metal, declared: "If gold is a barbarous relic, then we are all barbarians". His inverted evocation of Lord Keynes's contemptuous dismissal of gold showed how far sentiment had changed.

At the beginning of 1979 gold was trading at about $200 an ounce. It reached $440 in September, then in unprecedented conditions almost doubled, reaching a record price of $850 on January 21. After almost halving again, it is now trading at about $670, amid expectations that another rush into precious metals is imminent.

There is no doubting the fascination which gold now exercises over the minds of the financial community. As the result of what many believe is a permanent escape from the legacy of the generation which tried to isolate gold by fixing the price at an increasingly unrealistic $35, the metal is again at the centre of the financial stage.

Yet the details forming the background to this remarkable transformation are fraught with ambiguities. All gold statistics are notoriously treacherous: nobody knows for certain how much is produced (if only because Soviet output is secret), the size of stocks, the extent of reserves in the ground (however defined), or the flows of trade. The mystery and discretion which have always surrounded anonymous gold are as deep and impenetrable as ever.

Some of the best approximations, however, are provided by the Consolidated Gold Fields report, *Gold 1980*. The authors estimate that the total gold supply to the Western market in 1979 was 1,765 tonnes, an increase of 13 tonnes over the previous year. The main components of supply were mine production of 962 tonnes (980 the year before), net trade of 229 tonnes with the communist block (410 tonnes), and net official sales by the International Monetary Fund, United States Treasury and similar bodies, of 574 tonnes (362 tonnes).

Even before the close of 1979, however, it was becoming clear that this pattern would not be repeated in 1980. The IMF and the United States Treasury announced that their sales would be suspended, and South African production was falling. Of the total mine output, the republic contributed 703 tonnes, three tonnes less than in the previous year. Production is expected to be lower again this year.

Soviet sales policy was then most enigmatic. After three consecutive years in which net Soviet sales had been more than 400 tonnes a year, the sharp fall in 1979 was a surprise. Explanations varied from a simple lack of need for foreign exchange to suggestions that sales had exceeded production and so were depleting reserves. The mystery deepened when it was recently revealed from Swiss customs figures that the only Soviet sales so far this year through Zurich, the centre most used by the Soviet Union, were of 5.39 tonnes in January. Consolidated Gold Fields suggests that Soviet production could be between 280 and 350 tonnes a year.

A contraction in supply of about 600 tonnes this year cannot, therefore, be ruled out. The realization that supply might be so tight was one of the pressures behind the upsurge in price. An analysis of demand by category shows how vulnerable gold is to speculative pressure.

According to Consolidated Gold Fields, total fabrication demand last year was 1,315 tonnes (1,596), of which an estimated 737 tonnes (1,007) was used as new gold in jewelry, which remains the biggest consumer. The other leading fabrication uses are electronics at 94 tonnes (86), dentistry at 87 tonnes (89), and coins, medallions and fake coins at 33 tonnes (50).

But the main difference and the key speculative factor is the net addition to private bullion holdings. About 450 tonnes were bought in 1979 compared with only 156 in 1978. A lot stays in the country in which it is bought, mainly Britain and Switzerland, but some is transferred, notably to Hongkong, Indonesia, Singapore, Taiwan and Turkey.

These movements demonstrate how political a commodity gold has become, both in the sense that it is viewed more and more as a hedge against insecurity and in the sense that the marginal *demand for bullion* can completely upset the market. It was not surprising, therefore, that against a background of rising demand for gold, a succession of crises such as the Iranian revolution, the Mecca siege and the invasion of Afghanistan should have induced near panic in gold trading around the world.

Nevertheless, the steady rise in the gold price, of which these sudden bursts are but the more spectacular manifestations, also reflects a general adjustment to inflation. In the same way that individuals see the metal as a protection against depreciating paper currencies, so th[...] metal as a commodity [...] reacting to relative pric[...] levels. The past year ha[...] seen several important ind[...]cations of how people, inst[...]tutions and the monetar[...] systems are adapting [...] higher priced gold.

The change of which mo[...] has been made by suppor[...]ers of gold is the metal's alleged "remonetization". It is argued that the su[...]stantial increase in th[...] value of countries' go[...] reserves amounts to a cree[...]ing acceptance of gold as [...] backer of currencies, in co[...]trast to the American Go[...]ernment's efforts to exclu[...] it from the Internation[...] Monetary System. For exam[...]ple, at about $670 an ounc[...] America's huge go[...] reserves are worth rough[...] the same as the country[...] external debt. The accep[...]ance of gold as part of th[...] backing for the Europe[...] Currency Unit is also cited.

Participants in the go[...] market on a less abstra[...] plane have changed som[...] long-standing habits. T[...] South African Governme[...] is withholding gold so as [...] promote the price (as t[...] Soviet Union may be doin[...] and has allowed the go[...] mining companies to s[...] metal forward. Some min[...] have even hinted that th[...] would like complete fr[...]dom to sell on the op[...] market.

Michael Pre[...]
Commodit[...] Correspond[...]

People queuing in Hatton Garden, London, to sell gold articles when the price of the metal soared last January.

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Opec and the West

New relationship between growth and energy

New doubts over the future of oil supplies and prices have been created by the conflict between Iran and Iraq which last week shut down all Gulf exports from both countries.

These two members of the Organization of Petroleum Exporting Countries between them produce up to a fifth of Opec's output. Stocks throughout the Western world are so high that a loss of imports from Iran and Iraq could be withstood for several months, but worries remain that the events of the past 18 months, which saw the oil price rise by 150 per cent, could repeat themselves.

During this period disruption of supplies from Iran caused temporary shortages in both Western Europe and the United States.

Queuing motorists drew guns to gain supplies in California as tempers flared, but a Gallup poll revealed that three quarters of the American public doubted that the energy crisis was real. It was not the Arabs they blamed, as they had in the earlier crisis, but their own Government and the multinational companies.

They were wrong. It became clear during 1979 that the Opec members would never again produce more oil than they were to produce during that year. The shift of power away from the multinational companies, which had begun a decade earlier with demands for participation, accelerated.

According to a study by Shell, the seven largest oil multinationals, Exxon, Shell, Texaco, Chevron, BP, Gulf and Mobil still have ownership of a quarter of world oil supply, and own more than a third of refining capacity, but the share of producing *country governments* in crude oil production has risen from 6 per cent in 1970 to 55 per cent last year.

By the third quarter of last year more than a quarter of the crude oil moving internationally had been transferred from the hands of the international companies into other channels.

The moving of cargoes on to the spot market and direct government to government deals both added to the uncertainty in the market encouraging companies to build up stocks, and slowed the flow of oil within the system. This greater rigidity at a time of acute anxiety over future availability as Russia invaded Afghanistan, Iran held hostage diplomats and staff in America's Tehran embassy and the general tension throughout the Middle East increased, was one of the chief factors in pushing up prices.

Industry estimates are that world demand for oil outside communist areas dropped by 5 per cent in the first half of 1980 as stocks rose to a record 5,000 million barrels, equal to 100 days' supply. A huge cushion has been built up against further supply uncertainties. Stocks in Western Europe stretch as far ahead as 120 days and by almost as much in Japan.

On the supply side, Iran has ceased to be a significant exporter, producing often less than one million barrels a day, only a third of its production during much of last year and a sixth of output under the Shah. The impossible has happened. Iran has effectively dropped out of the supply picture; but a combination of conservation measures taken in the wake of the 1973-74 oil crisis and the worldwide recession has reduced demand to the levels of 1974 and 1975.

The Abadan refinery, heart of the Iranian oil industry, before being bombed by Iraq last week.

Such a sharp cutback is unlikely to last. Oil company stocks may well be artificially high, holding oil which would normally be held by their customers. The recession has been so sharp and so deep that, seeing the far easier supply position, oil industry customers may be indulging in quite heavy destocking to reduce their financial outgoings.

Once this has occurred, demand will return to the oil companies. Opec production of about 27 million to 28 million barrels a day at present demand levels is adding to world stocks, but the expected one million barrel a day cutback by Saudi Arabia and reductions by Iraq will bring the market into a closer balance. A harsh winter could alter the position drastically.

At the moment, the world looks set to get by on less oil than was supposed. The effects of prices of more than $30 a barrel are still being worked through. The switch to smaller cars in America is still in its early stages. Substitution of coal for oil in power stations is advanced in the United Kingdom, which had spare coal capacity available to use in place of oil, but is not so advanced in other countries.

The shock of the petrol queues in the United States eventually impinged on Congress and President Carter was able to pass the legislation connected with the decontrol of domestic oil prices which he had failed to get through a year earlier.

Throughout the world a more comprehensive change to energy prices has occurred than in 1973-74, aiding conservation. *In the United* Kingdom both gas and electricity prices have been forced higher.

The United Kingdom apart, which is rapidly approaching a position of net self-sufficiency in energy, nothing can protect the industrialized West from the impact of the Opec rises on their economies. The cuts in consumption reduce the effect, but on nothing like the same scale as the effects of the price rises.

Opec surpluses for 1980 are estimated at $120,000m. After the quadrupling of the oil price in 1973-74, Opec members showed an even larger propensity to import than had been expected. There are signs that importing is growing again, but it is expected to be more, rather than less difficult than after 1973-74 to pay off the deficit. According to the OECD, the 1979-80 rises, like the 1973-74 rises, will result in a deterioration of the West's terms of trade by about 2 per cent of gross national product.

A greater proportion of g.n.p. is being spent on imported energy than it was and oil price rises are adding to inflation and unemployment. Opec is not to blame for all the problems of the West, but oil price rises have added to them. Sharp growth which sucks in more oil in the future brings with it the same risks. Since the early 1970s the relationship between economic growth and energy growth has changed remarkably. The West, however, really needs to grow without needing any increase in imported oil at all. It is still too early to say whether that can be achieved.

Nicholas Hirst
Energy Correspondent

Commodities

Great profits, great losses can be made

The recent course of commodity trading has been unusual by any yardstick. It has included the collapse of Mr Nelson Bunker Hunt's ambitions to control silver; gyrations in rubber prices; a sustained bear market in cocoa matched only by a bull market in sugar; the lifting of exchange controls and the introduction to London of several new markets, with the promise of others; the confirmation of the rise of the speculator as a financial force. And there could be more surprises ahead.

Behind these sometimes wild movements and changes lies the economic paradox of our age: inflation and recession. Inflation, bringing unpredictability of prices and an urge to find better returns than those offered by equities, has led to greater volatility than the markets have seen overall for many years. Recession means that the demand for and real prices of many commodities—especially base metals—are falling, however much prices may fluctuate.

It would be unfair, therefore, to accuse Mr Hunt of setting the tone. Nobody else has been adventurous enough to try to dominate a market, let alone one as slippery as silver. Yet Mr Hunt's activities, which pushed silver from comparative obscurity a year ago to more than 50 cents an ounce in March, did have an important consequence. They reminded speculators and traders that in times such as these great losses as well as great profits can be made in commodities.

The course of individual markets emphasizes the point. Leaving aside silver and gold as special cases, most of the important action has been in food products. Sugar has been the outstanding market, the London daily price of raw sugar soaring from about £90 a tonne in April 1979 to about £360 today. Most analysts think the market will go even higher, perhaps rivalling the record £650 attained in 1974.

At the beginning of this year some unsettling entertainment was provided by natural rubber. The No 1 RSS spot price was 90p a lb before falling sharply by about 30p. The market was to some extent a by product of the precious metals boom, and attracted a heavy speculative inflow. But as happens in most such markets, the price reached a point where it could not be supported by fundamentals of supply and demand.

These forces have been working with a vengeance in the coffee and cocoa markets. The latter is particularly depressed, prices being at their lowest levels for more than four years. The cocoa producers—notably the Ivory Coast and Brazil—have expanded their capacity so much and so fast that for three years production has exceeded consumption.

Coffee is vulnerable to similar forces, since capacity is well ahead of demand.

Metals are another story. The problem has been not so much overproduction—indeed, mining experts are worried that too little is being invested in increasing capacity—but that their prices follow industrial demand. All the major metals have weakened, although copper was strong in the first half of 1980. Tin remains relatively strong because production has been below potential demand for a long time. Zinc, also scarce, is another metal to have gone against the trend.

While fundamentals have dictated the underlying trend, whatever short-term price volatility, inflation and immediate supply predictions may impose on top, the effectiveness of intervention organizations has been correspondingly eroded. The International Cocoa Agreement, for example, has collapsed, and talks are being kept alive with difficulty.

A similar fate has befallen the International Sugar Agreement, as prices soared from below the floor in the agreement to above the ceiling. Its operation has been made more problematic by the failure of the European Economic Community to cut sugar production. In coffee the producers made a determined effort to underpin the market by transforming the Bogota Group from an association of like-minded governments with a common interest in high and stable coffee prices into a direct intervention body called Pancafe. Despite its $500m capitalization Pancafe has failed to support the market.

Perhaps the most significant organizational development has been an agreement in principle at the United Nations Conference on Trade and Development to establish a common buffer stock for a wide range of commodities. But the extent and timing of the funding remain to be decided and its impact may be delayed for years.

Regardless of these uncertainties, interest in and use of the markets is growing rapidly. Inflation and volatility encourage futures markets as users of raw materials see a way of hedging against future price movements, and individuals or speculators see a way of entering the market without taking delivery of 10 tonnes of sugar. Much of the attention over the year has shifted from the physical markets to the terminal markets. London has seen new futures markets in soya bean meal, arabica coffee, wool and potatoes.

It is also promised three potentially important new markets: oil products, which has the backing of oil companies and could lead to a futures market in crude oil; gold; financial futures. The last two have proved outstandingly successful in America. The New York Futures Exchange opened only a few weeks ago. Abolition of exchange controls could not be more timely and if London is to maintain its place in world commodity trading, not only against New York and Chicago but against Hongkong and Singapore as well, gold and financial futures are essential. The year in which the recession took hold internationally may be seen as the year in which commodity markets decisively shifted their emphasis to new instruments.

M.P.

This time the shaikhs mean business

continued from page I

hand (at least on a short to medium-term view), yet one in which refusal to supply the borrowers' insatiable appetite could spell disaster.

That however, is not quite the end of the problem. Banks are also being asked to expand their business at a time when it is far from easy (if they are wholly realistic about bad debt provisions) to generate matching increases in their capital bases.

At the moment we have talk of a new type of world economic summit which will have all the major participants around the table so that there can be significant discussion, indeed negotiation on outstanding issues. There are also tentative proposals for more direct Opec aid to the oil-importing developing countries. In the long run these are more important issues than the creation of inflation-proofed financial assets for Opec investors.

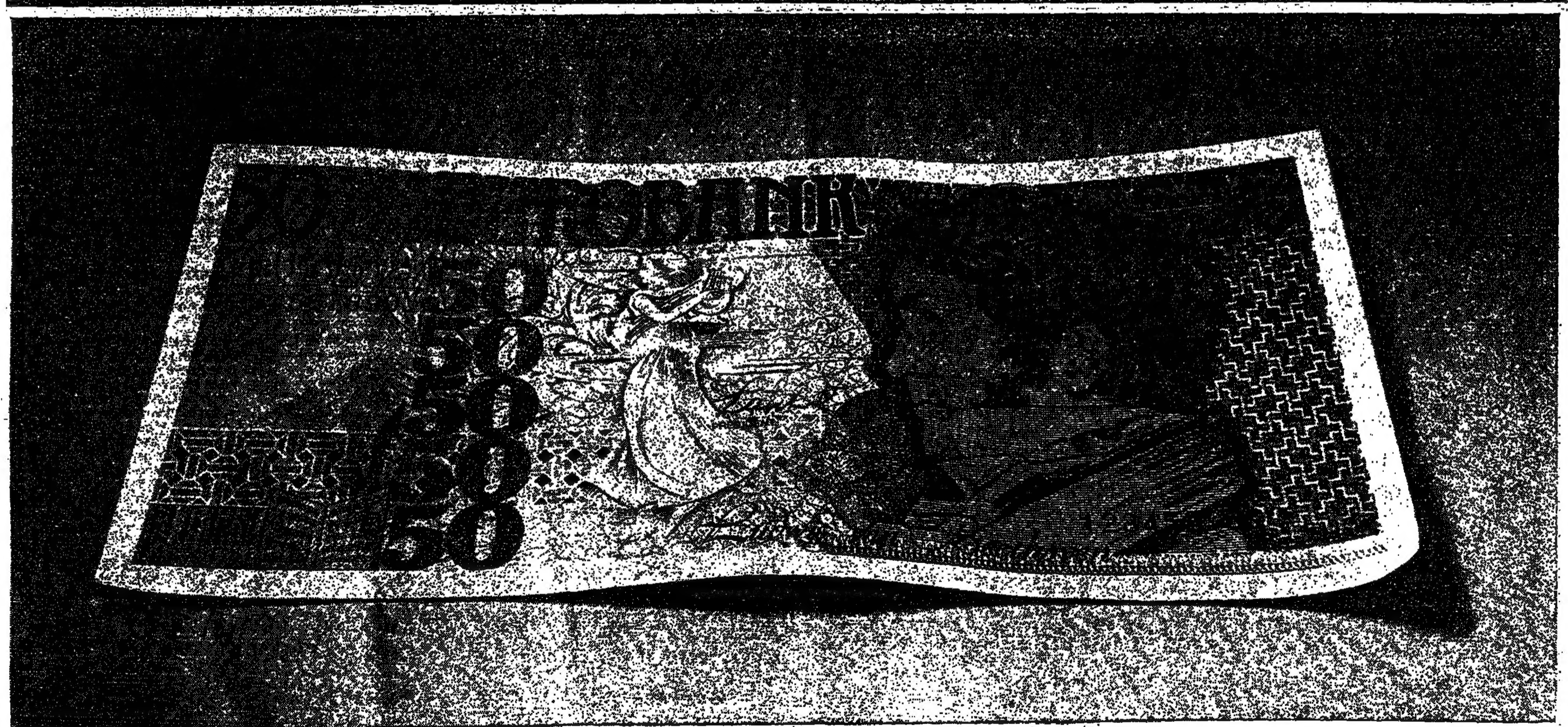
John Whitmore

Oil exporting countries

Balance of payments and deployment of cash surplus ($000m)

	1973	1974	1975	1976	1977	1978	1979	Levels end 1979
Oil and gas exports	37	116	107	130	144	138	213	
Total exports	41	123	113	138	154	148	225	
Imports	22	39	59	74	89	104	105	
Trade balance	+19	+84	+54	+64	+65	+44	+120	
Invisibles, etc	−13	−17	−25	−29	−38	−45	−46	
Current balance	+6	+67	+29	+35	+27	−1	+74	
External borrowing and other adjustments		−12	+7	+4	+11	+20	+5	
Cash surplus for investment		55	36	39	33	19	79	236
Deployed:								
Bank deposits		28.6	9.9	12.0	13.0	3.9	37.3	
Short-term government securities		8.0	0.4	−2.2	−1.1	−0.8	3.3	
Long-term government securities		1.1	2.4	4.4	4.5	−1.8	−0.7	
Other capital flows		7.1	12.8	13.2	9.8	5.6	9.0	
IMF and IBRD		3.5	4.0	2.0	0.3	0.1	−2.0	
Flows to developing countries		4.9	6.5	6.4	7.0	6.2	6.9	
Unidentified items		1.9	1.1	2.8	4.1	5.4	25.2	
Deployed in United Kingdom								
In sterling assets		6.0	—	2.1	0.5	0.2	2.2	8.6
In other currencies		15.0	4.3	6.6	3.3	−2.0	15.0	46.8
Deployed in the United States		11.7	9.6	12.1	9.1	1.3	8.9	55.4
Deployed elsewhere		20.5	21.3	19.2	20.6	13.9	27.7	123.7

Source: Bank of England Quarterly Bulletin.
Note: Figures include OPEC and Trinidad & Tobago, Bahrain, Brunei and Oman.



Speculative European banknote designed by Bradbury, Wilkinson & Co. Ltd.

When this is common currency, we'll still be looking ahead

For the EEC, monetary union remains an unrealised goal.

But in NatWest's world, financial frontiers are disappearing fast—whether we're arranging export finance, predicting currency exposures for a multinational, advising on leasing, or handling a merger or acquisition.

As an effective bank, we think internationally, and think ahead.

And we'll still be doing that, long after Europe has a Libra to spend.

National Westminster Bank Group

East-West trade

Sting in boycott may be delayed

There are two views about trade sanctions. One is that they never work, the other that they do, if applied rigorously enough. Neither is likely to be tested in the case of the sanctions launched by President Carter in the wake of the Soviet invasion of Afghanistan.

President Brezhnev has scoffed at them and claimed that his country had successfully turned to alternative suppliers. The lukewarm approach to the boycott by the United States' allies and within the United States itself, has made it almost certain that the ban on sales of grain and high-technology products would never be completely effective.

The refusal to sell American grain may, however, have been more of an embarrassment than the Soviet Union has admitted. And if the grain sanctions were to persist next year the lack of American supplies could hit the Soviet Union quite hard.

While refusing to sell grain not covered by the five-year Soviet-American agreement which expires in the 1980-81 harvest season, the United States has fulfilled its contractual obligations. This year it has sold six million tons of grain to the Soviet Union. But other sources have stepped in to fill some of the gap left by the United States. There is an international grain market and it should not have been too difficult to by-pass local often nominal, restrictions.

While this year the Soviet Union somehow managed, perhaps by prematurely slaughtering part of its herd—next year could be far more difficult. The harvest has been generally poor not only in the Soviet Union and Eastern Europe but bad weather has also hit American and Canadian crops. If the embargo persists 1981 could be a difficult year for the Soviet Union and its already meagre meat supplies could be further affected.

There are, however, powerful interests in the United States which are against the embargo. Farmers feel they would have done better selling their grain on the international market than to the Government. And there are moves in the Senate to abolish the sanctions altogether.

Grain is an exceptional item because the United States dominates the world trade. Industrial goods are usually made by several countries and here the evidence so far available suggests that the embargo on sales of high technology products has not been successful.

Most Western countries have, willy nilly, followed the American lead but there have been many loopholes and there is no evidence to suggest that the Soviet Union did not manage to buy any less after the invasion of Afghanistan. There is the traditional vetting of goods which could have a military impact but this existed before.

Businessmen trading with the Soviet Union have been against the boycott. Both American and European companies have been protesting against the sanctions and some see the possibility of permanent loss of a market.

It is difficult to assess the overall impact. A big problem is that much of East-West trade is conducted on long-term contracts so that deliveries made today are a reflection of the past rather than of the existing situation. There are no reliable statistics on new contracts being passed and even if there were it would not always be clear whether any important ones had been withheld because of the trade embargo.

It is often believed that the Soviet block in general is hungry to acquire Western technology. This was, indeed, the case in the past few years but less so now. In buying equipment the Soviet block as a whole has incurred debts to Western banks which it now finds difficult to repay. The case of Poland is by now well known but other countries—though not the Soviet Union—have similar problems.

The financial constraints are well illustrated in financial statistics which are available more quickly than trade figures. Debts of the Soviet block to the banking system alone stood at the end of March at $53,219m compared to $55,915m at the end of 1979. The slight decline is compensated by the fall in deposits in the same period from $15,500m to $12,700m.

But these statistics do not show trade credits, which are likely to have risen slightly in the period. What they do suggest, however, is that, sanctions or not, the Soviet block countries may in any case have to trim their spending in the West.

The other problem is that imports of some high-technology products have often not been suitable for the social structure of the Soviet system. This has resulted in waste. The new five-year plans being evolved now might take this into account.

Since the economies of all Comecon countries are synchronized, much will depend on the new five-year plans. There is evidence that growth in the block is now slackening. In addition to the financial constraints on East-West trade, the prospects of oil shortages also suggest physical limits to expansion. What is happening with trade between Britain and the Soviet block is a fair illustration of trends.

Last January, in response to the Russian invasion of Afghanistan, Lord Carrington outlined in the House of Lords the measures Britain would take. These included the non-renewal of the £1,000m of credits at low rates of interest granted by the Wilson Government, the study with allies of tighter control on exports of defence-sensitive technological equipment, and a ban on the sale of grains. In fact, the Soviet Union never even took up its full entitlement of the so-called Wilson credits.

Britain's sales to the Soviet block have gone on rising. In the first seven months of the year, exports were up by 28 per cent in value to £743m. To the Soviet Union alone exports were up by 20 per cent from £245m to £293m. But much of that was in fulfilment of existing contracts.

What worries British businessmen involved in the East-West trade is that little seems in the pipeline. With some variation, this seems the case with most Western countries.

Roman Eisenstein
Banking Correspondent

The City

'Boom and bust' economy comes under analysis

Britain's social landscape could not present starker contrasts: at one end there is decay of industry, unemployment and impoverishment; at the other—the square mile of the City of London—there is prosperity. If anything, over the past 12 months the City has enhanced its status as the financial hub of the world.

The country is going through its worst recession since the war. Unemployment, already above two million, is rising to higher levels. Industrial production has been falling to below the levels last seen in the 1975 recession.

To come to grips with inflation and low productivity in industry the Government has embarked on a policy of tight money, which implies high interest rates. The target for a money supply increase, as defined in the broad M3 measurement, was set at between 7 and 11 per cent for the fiscal year. But because of distortions caused by the ending of the "corset" regulations on banking, the target will not be achieved. At the same time pressure to lower rates has been increasing not only from industry but also from parts of the City and from within the Conservative Party.

The other side of this gloomy picture is the City, where paradoxically things have been going well. Share prices have moved higher, the strong pound and the lure of high rates of interest have attracted thousands of millions of pounds into the country. The scale of professional services offered in the City has grown as more and more international financial deals are completed there.

Not surprisingly, the City has continued to be an irresistible attraction to foreign banks, and new branches or representative offices have been opened for business.

North Sea oil, which has been a major factor for the strength of the pound, has certainly been a reason for the City's success, but by no means the only one. Expert knowledge, traditional worldwide links and easy communications have played as big a part. So while some of the criticisms that the City's invisible earnings come at the expense of industrial development are justified, not all are. More recently the banks have been at the centre of attack because of their high profits.

The underwriters' room at Lloyd's offices in Lime Street, in the City of London.

Clearing banks benefit from high interest charges because they can obtain wider profit margins on their loans. This is especially so because they hold a large proportion of their deposits in interest-free current accounts. For the year to last December, clearing bank profits rose by 40 per cent to an aggregate of £1,563m but the profits made on domestic banking alone were up by 70 per cent.

In the first half of this year, profits, after higher bad debt charges, were still up by 16 per cent. While costs have been rising (and because of the recession bad debts are still piling up) continuing high rates of interest still favour the banks.

One area where competition is becoming more intense is the growing rivalry in the High Street between banks and building societies. Over the years the societies have grabbed an increasing share of the personal savings sector and the banks are now trying to regain the lost ground.

Building societies will not remain passive. They are thinking of moving into some sectors occupied by the banks, and the Alliance Building Society has already taken steps to attract deposits from the wholesale money market. The societies are more worried at the Government's recent extension of the index-linked "granny bonds", in which people over the age of 60 can invest. While this will bring some £1,500m to the Government much of it will be money previously going to the societies.

The operations of the City have been scrutinized in great detail by the Wilson committee. It was one of the rare occasions when the whole spectrum of its activities has been thoroughly analysed.

The committee owed its existence to anxiety that the City was responsible for the lack of funds invested in industry and to talk within part of the Labour Party of nationalizing some of the large institutions such as banks, insurance companies and pension funds. The committee found the City generally blameless for the plight of industry and did not recommend any nationalizations. But some of its recommendations are far-reaching.

It called on the building societies to abandon their cartel on interest and said that they should lose their tax advantages. The societies were quick to point out that more competition for funds and the loss of tax advantages would inevitably lead to higher mortgages.

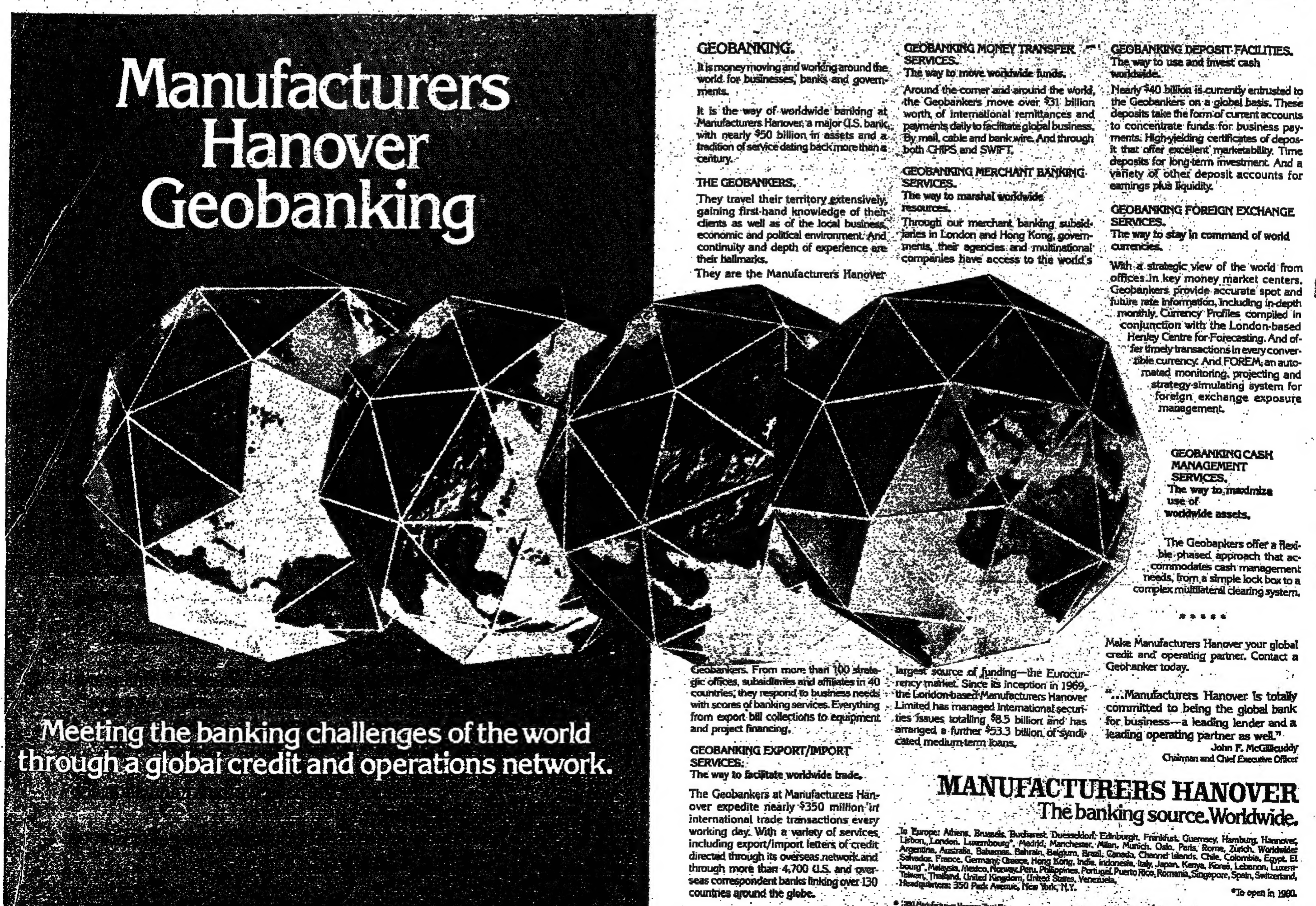
The committee also recommended that pension funds should be more tightly controlled and suggested that a law be passed to regulate the activities of funds. It also recommended the strengthening of the City regulation system from the self-regulatory to something more formal by a new overseeing body.

Perhaps one example where self-regulation did not work as well as it could is the way problems arose at Lloyd's, the top insurance market, which is operated through a network of individual underwriters. After problems with the Sasse Syndicate, where members lost money on excessive risk-taking, Lloyd's appointed the Fisher committee to look at its operations. The committee recommended major changes, including the appointment of outsiders to Lloyd's governing body and tighter discipline.

Another subject of contention within the City is the various consultative papers prepared by the Bank of England. The aim of these is to implement the 1979 Banking Act, which gives the Bank greater supervisory duties. The most contentious paper has been that concerning banking liquidity—the amount of cash the banks have to hold so that they can repay deposits on due date.

The paper is rather technical but it has upset home-based banks as well as the large subsidiaries of foreign banks operating in London. Some have even said they may have to relocate elsewhere if the proposed regulations are fully applied. But the Bank is revising the paper to take account of the criticisms, and the final draft—as with some others—is likely to get full, if grudging, approval.

R.E.



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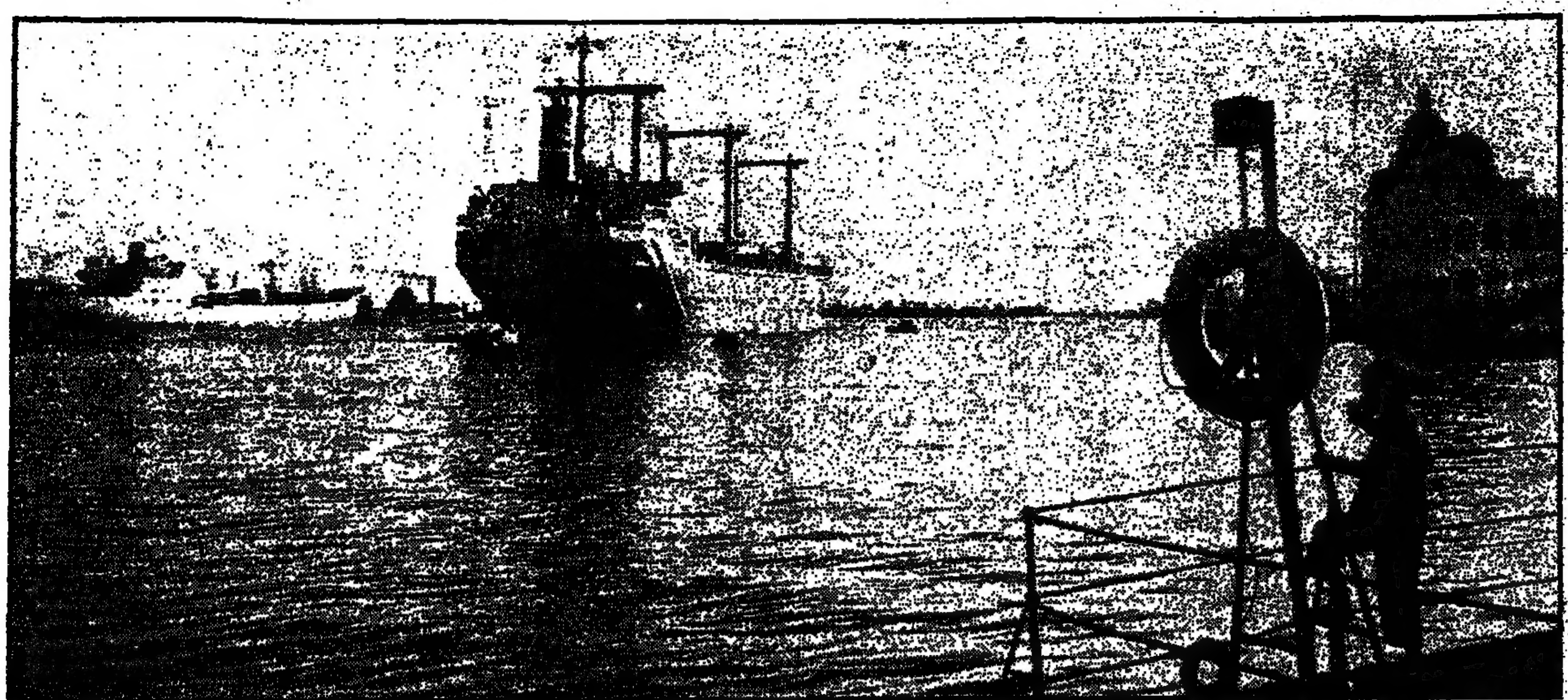
Excited Suez ready to receive its first super-tanker



From October the Suez Canal will be able to accommodate ships more than twice the present size. The completion on schedule of the widening and deepening work is a remarkable achievement, as a mere seven years ago damaged hulks still littered the canal's waters, and prospects for reopening seemed *dim in view of the Egyptian-Israeli impasse.*

Now a new spirit of optimism and even excitement is apparent in canal towns, as Suez stands poised to receive its first super-tanker. Ships of up to 150,000 tons fully-laden or 380,000 tons in ballast, will be able to pass, instead of the present maximum of 60,000 tons fully-laden, or 250,000 tons in ballast.

Work on the enlargement of the canal to accommodate tankers of up to 53ft in draught, compared to *the current 38ft,* has proceeded extremely well. The Ballah by-pass just north of Ismailia was completed more than a year ago, and in March the impressive 36.5km long Port Said by-pass was opened when Mashour Ahmed Mashour, chairman of the Suez Canal Authority, cut the ribbon to mark its inauguration.

Those present at the ceremony to witness the waters of the Mediterranean and Red Sea meeting for the second time in history included Keiichi Keidani, the president of the Japanese Mitsui Company, which was responsible for most of the work. The first time these waters met was in 1869 in the Bitter Lakes when the canal was dug.

The only important remaining work is dredging, with the Mitsui company at present dredging from the Mediterranean Sea coast along the northern section of the canal, while the Italian Viannini company is dredging just to the south. Both companies have almost completed the operation, while farther south the Suez Canal authority's own dredgers had carried out three quarters of their remaining work by May. Work on the service canal joining the by-pass with the original canal, for use by the tugs escorting the large tankers, is also well advanced, as is the construction of the two breakwaters of one kilometre each where the new by-pass enters the Mediterranean.

Originally, when the Suez Canal Authority reopened the canal, it envisaged enlarging it to accommodate tankers of up to 67ft draught, which would have allowed to pass tankers of 250,000 tons fully-laden or 500,000 tons in ballast. Wisely the authority decided to follow the advice of the consultants for the feasibility study, the British firm of Maunsell, and the French firm Sogreah, which suggested that it would be prudent to under*take the work in two stages.*

The first stage is almost complete, but the canal authority wants to review the results of this stage before committing itself farther. It has asked Mitsui to undertake a feasibility study for a 105-mile canal parallel to most of the present canal, but using some of the sections which have already been enlarged. This feasibility study will be ready by March 1981, but as the projected cost is likely to amount to $1,300m, the canal authority will have to assess carefully future possible traffic before proceeding with phase two.

Suez Canal revenue has been rising steadily since reopening, bringing welcome foreign exchange into Egypt's economy. In 1978 total revenue was $520m and last *year* it exceeded *$600m,* partly because of an increase in tonnage, but also as a result of a toll increase last July, the first increase since the canal reopened. This year revenue should be well in excess of that figure, as the Suez Canal Authority is hoping for a 50 per cent increase in tonnage.

However, there have been worries over revenue during the past year, as tolls are expressed in depreciated dollars. At a conference of canal users held in Ismailia in March, Mashour Ahmed Mashour said a study was being made of toll charges, and one possibility was to express the charges in terms of special drawing rights, which were a more stable unit of account than the dollar.

The canal authority has been reluctant to raise charges, preferring to keep rates low in order to build up tonnage, a policy which there is some pressure to continue with now that capacity has been increased. Any further serious depreciation in the dollar, however, may force the authority's *hand,* and most users expect further toll increases by next year at the latest.

Sadly, last November saw the severance of Britain's last link with the company which helped to found the Suez Canal, Compagnie Financière de Suez, as the British Government sold off its remaining £22m share as part of its policy of cuts. Since the canal was nationalized by Colonel Nasser in 1956, this holding company was no longer directly involved in Egypt, but the sale to a French bank nevertheless represented the end of an era.

British commercial interests in the canal area remain strong, however, and in May Mr Cecil Parkinson, the British Minister for Trade, visited Suez. He was there to witness the opening of the Ahmed Hamdi tunnel, 12 miles north of Port Suez, which represents the first permanent land link between Africa and Asia since the canal was originally opened.

The mile-long tunnel was built by a partnership between Tarmac International, the Wolverhampton-based building firm, and Osman Ahmed Osman, Egypt's largest private construction firm. Now that this $143m scheme has been successfully completed, Tarmac and its Egyptian partner have already been asked to undertake a feasibility study for a second proposed tunnel. *It seems that there is still a* role for British skills in Suez.

Rodney Wilson
Department of Economics, Durham University

Ships await clearance to enter the new, improved Suez Canal. The canal authority is housed in the domed building on the right.

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Familiar nostrums for industry

If bold words are a measure, ministers in the new Egyptian Government have *set themselves a cracking* pace for industrial development plans. Modernization is the keynote for manufacturing industry that for many years has produced an inconsistent performance and also lacked direction.

Industrial production was *worth $5,700m in 1979, of* which private sector output was valued at $1,800m. The public sector undertakings, the heirs of the Nasser years of nationalization, account for 90 per cent of industrial investment and about 70 per cent of output.

Textiles (spinning and weaving) and food process*ing are the main industrial* activities for both private and public sectors and contribute about 55 per cent to 60 per cent of total industrial output. Manufacturing industry employs an estimated 1,400,000. Only 15 per cent of establishments *employing* more than 500 people are in the private sector.

One of the aims of Mr Iaba Zaki, the Minister of Industry, to overcome sluggish performance is to impress on public sector officials the need for rationalization and efficient use of manpower. They are famil*iar nostrums but in Egypt's* case compounded by the pressure on available jobs caused by a growing population as well as an awesome bureaucracy.

Official policy is to encourage both private and public sectors to seek foreign *partners,* though the provision of foreign aid for rehabilitation of plants is an important factor.

In textiles, where public sector mills provide 75 per cent of production, a major overhaul is in progress. The United States Agency for International Development is providing $96m to modernize Egypt's largest mill at Mahalla al-Kubra while the World Bank has agreed $121m for renovation of five mills including the National Spinning & Weaving Company's mill at Alexandria, founded in 1891, and which employs 15,000 people.

Food processing accounts for 33 per cent of public sector production. Agro-industrial schemes are likely to feature prominently in future plans. A United Kingdom group, including British Sugar Corporation, *Tate & Lyle, Tarmac, Guin*ness Peat and *Morgan* Grenfell, is working, for example, on a package bid for a $655m development at West Nuberiya to grow and process sugar beet.

In other parts of the sector foreign participation is an established trend. Joint ventures agreed or under discussion include those with Coca-Cola and Cadbury-Schweppes, while Creusot Loire of France has recently presented a feasibility study for a $21m canning and food processing plant at Edfina.

The next leading sector, engineering and metallurgy, produces a wide range of goods. Output of Fiat/Seat cars from the El Nasr Automotive Company is planned to double to 34,000 a year. The planned production of a possible Volkswagen plant is 10,000 cars a year. Daimler-Benz is another possible West German investor in a vehicle plant for the assembly of lorries. Ford and General Motors of the United States are also discussing joint ventures.

Most steel is produced by the Soviet-built Helwan Iron and Steel Works, which when expansions are completed will turn out a million tons a year of rolled steel and 340,000 tons of billets. Japanese funding is awaited for a $463m direct reduction steel plant project at Dikheila. Expansion is also planned of the Nag Hammadi aluminium *smelter* now producing 100,000 tons a year of raw aluminium.

The development of new cities is likely to emphasize the building materials sector. It is hoped that cement plant projects at Suez and Qattamiya funded by USAID will help to eliminate imports of cement now running at two million tons a year. Acrow of the United Kingdom has set up a joint venture to produce scaffolding and Guardian Industries of the United States has prepared an evaluation for a flat glass plant which could cost more than $150m.

Whatever the holdups in the past, ministers give every indication of wanting to speed outside investment. Mr Zaki declared on a visit to Brussels recently that six months was to be the time limit for agreeing a contract and the use of equipment for a project.

A fillip to industrial plans could occur if proposals for military production involving United States licences turn into agreements. Since the collapse of the Arab Organization for Industrialization (AOI) and the loss of Saudi and other Gulf funding for an arms industry because of the treaty with Israel, most AOI activities in Egypt have been discontinued or run down.

Future production in an Egyptian-controlled AOI type organization could involve assembly of Northrop's F5E of General Dynamics proposed FX fighter as well as Bell 214 helicopters. Other United States companies that might licence production of equipment include FMC Corporation for armoured vehicles, Hughes Aircraft and Emerson Electric for anti-tank missiles. If all the proposals come to fruition Egypt would expect to gain substantial technology transfer, perhaps creating the civil-military nexus familiar in other countries.

Revitalization of Egyptian industry cannot however depend merely on aid and foreign participation in joint ventures. Though the Nasser policy of producing everything from "aircraft to the needle of a rocket" has long since been abandoned in favour of a more realistic appraisal of industrial potential, modern attitudes to business and management take longer to evolve. It is present attitudes that are the main impediment to the rapid change President Sadat's impatient pace is demanding.

Robert Bailey
Middle East Economic Digest

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SADAT

MAN OF INITIATIVE AND VISION

Overcoming Decades of Mutual Mistrust

When President Anwar El-Sadat of Egypt made his historic visit to Jerusalem, in the heart of enemy-held territory, in November 1977 he broke down barriers hitherto regarded as insurmountable.

His courageous, one-man peace initiative, ending so many years of stalemate, took the world's breath away. It won for Egypt's leader the Nobel Peace Prize, as well as the acclaim of statesmen, newspaper editors and peace-loving people everywhere.

But despite his absolute conviction that *only a personal intervention as bold as this* could achieve the necessary breakthrough, President Sadat recognised that the road to a final and honourable settlement would be strewn with every kind of obstruction and difficulty. Any hope of a quick or easy solution was ruled out by the bitterness and mutual mistrust which had accumulated in the course of thirty-odd years and four wars.

Nonetheless, since President Sadat's dramatic intervention, remarkable progress has been made along the road to a permanent peace in the Middle East. Beginning with the Camp David accord, there followed the signing of the Egyptian-Israeli Peace Treaty, Israel's withdrawal from Sinai, the return of Egypt's much-needed oil wells, and the exchange of ambassadors by the two former foes.

But great problems still remain to be resolved before a comprehensive and just peace can be established. First and foremost, of course, is the just settlement of the Palestinian issue, which lies at the heart of the Middle East crisis.

In his speech to the Knesset in November 1977, President Sadat warned the Israelis of the paramount importance of this. "As long as this issue remains unsolved", he declared, "the conflict can only continue to aggravate and to reach new dimensions. In all sincerity I tell you peace cannot be achieved without the Palestinians. It would be a grave error, with unpredictable consequences, to ignore or brush aside this cause".

Intractable as this problem may seem, the Egyptian people are confident that a solution will eventually be found, and that an honourable and lasting peace will be achieved in the Middle East. While President Sadat has proved to be a leader with the vision and will to bring this about, the Egyptian people have shown that they possess the patience and determination that are called for at this time.

As they face this challenge, Egyptians today are enjoying greater freedom and *stability in their* lives, and *real hope of a* better tomorrow, than ever before. After thirty years of painful and costly confrontation, Egypt is at last witnessing a steady improvement in its economic fortunes. Despite numerous obstacles strewn in its path, for the first time in many years the country had a balance of payments surplus last year.

As a result *of President Sadat's* vision, and the bold initiatives he has taken both abroad and at home, a new mood of optimism towards the future is apparent today in Egypt. Egyptians now see the ten years of Sadat's Presidency as a turning point in their country's fortunes, and can look forward to a time, not too far off, when past sorrows, *hatreds and suspicions* will be *forgotten.*

Ten Years of Achievement

The following are some of the major initiatives and achievements which have marked the ten years of Anwar El-Sadat's Presidency.

1970 On being elected, he empties the prisons of political detainees, orders the destruction of secret police files, decrees the return of sequestrated property, and restores authority and independence to the Judiciary.

1971 He launches the 15th May Revolution—to put right the mistakes of the 1952 Revolution and lays down the foundation of a democratic and free society.

1972 He expels some 17,000 Soviet advisers, thus asserting Egypt's independence and changing the balance of power in the Middle East.

1973 He masterminds the Egyptian armed *forces' dramatic crossing of the Suez* Canal, and restores the confidence of the Egyptian army in its ability to take on Israel's armed forces. It was the brilliant performance of the Egyptians during the October War, which ultimately made possible his own one-man initiative.

1974 He launches his "*open door*" economic policy aimed at revitalising the country's economy, freeing the country from its bureaucratic strait-jacket, and encouraging personal initiative at all levels.

1975 He reopens the Suez Canal to international shipping following its closure in June 1967, thus providing Egypt with a major source of revenue which it had been denied for eight years, while affirming Egypt's commitment to peace.

1976 He abrogates the Soviet-Egyptian Treaty of Friendship, and after *24 years* of one-party rule holds the most democratic elections that Egyptians had seen, paving the way for a multi-party system. He himself wins overwhelming public support for his second term as Egypt's leader.

1977 The year of President Sadat's historic *one-man peace initiative* and his visit to Jerusalem to address the Israeli Parliament.

1978 The leaders of Egypt, Israel and the United States, following Sadat's *initiative,* meet at Camp David and work out a framework for peace in the Middle East—the first real step towards a full *and just settlement* of the many differences resulting from thirty-odd years of conflict and four wars.

1979 A Treaty of Peace is signed at the White House between Egypt and Israel. Egypt regains most of Sinai; and re-establishes its sovereignty over all its territories and confirms the inviolability of the pre-1967 international boundaries, including its oil wells, and other objectives contained in the agreement, thus clearing the way for the world's full attention to be directed towards the solution of the Palestinian question.

1980 While exploration by Egypt of all *possible ways of resolving the Palestinian* issue, crux of the on-going Middle East crisis continues, President Sadat embarks on a series of wide-ranging internal reforms, economic, administrative and social.

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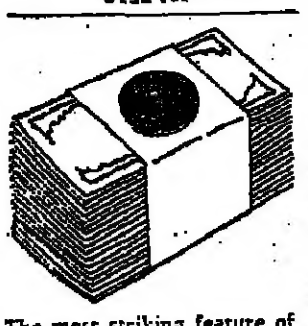
Economy 'ready and waiting' for the second oil crisis

JAPAN



The most striking feature of Japan's economic performance over the past year lies in the relative ease with which the country has adjusted to the second oil shock in a decade. After the first oil crisis of 1973 the economy went into a decline: industrial production dropped by 23 per cent from its peak in October 1973, and the real gnp declined for four successive quarters.

Inflation also cut back the purchasing power of consumers and businesses as consumer prices rose by 26 per cent on a year-to-year basis and wholesale prices rose by 37 per cent.

But this time although the financial burden has been just as great, the economy has weathered the storm with remarkably little damage so far. It is gradually beginning to show some signs of a slowdown, but it is now more than a year since the present round of oil prices was initiated in April, 1979.

Already the indicators of inflation have started to turn down and, as the pace of economic activity slows, the new government of Mr Zenko Suzuki has prepared a stimulatory fiscal programme to ensure that the Japanese recession is no more than a mild deceleration in growth rather than an absolute decline. In contrast to the abrupt decline and the lingering inflation which Japan suffered in the previous cycle, the present symptoms are milder.

The secret of Japan's successful adaptation to the international economic crisis lies not so much in any differences of external conditions as in the carefully chosen policies adopted by the Japanese authorities long before the second oil crisis began. The measures were deliberately aimed at fostering internal stability while encouraging adaptation to changes in the international market-place.

The results have not been wholly without painful side-effects, as reflected, for example, in the wide fluctuations of the yen on the foreign exchange market, and the consequent uncertainties facing importers and exporters. In general terms the Japanese have achieved greater stability for the domestic sector at the cost of increased instability for the external sector. But on the whole the combination of maintaining steady output growth while minimizing the impact of inflation has probably been among the most successful of all major industrialized economies.

Like the Bundesbank in West Germany, but unlike the authorities in other OECD countries, the Japanese accepted the monetarist thesis that the inflation of 1973-74 was primarily due to excessive monetary growth during 1971-73 rather than a result of externally imposed price increases. In other words, inflation was ultimately domestically created rather than imported.

Therefore, without political fanfare and delicately avoiding the expression "money supply target", the Bank of Japan has been regulating monetary growth ever since the first oil crisis, so that in the past three years the growth of M2 (money plus term deposits plus certificates of deposit) has hardly deviated outside the range of 10 to 13 per cent.

In the Japanese context of rapid real growth of the order of 8 to 9 per cent a year in the 1960s this would have been highly restrictive; in the present context of slower real growth this has been quite adequate to permit a recovery in late 1978 and early 1979 towards full capacity use, and to sustain the momentum of real gnp at an average of 6.3 per cent per annum in the last half of 1979 and 4.5 per cent a year in the first half of 1980. Industrial production continued to accelerate throughout 1979 and has gradually been slowing this year. In the year to June it had risen by 7.4 per cent.

Given the high degree of precision achieved by the Bank of Japan in regulating money growth it is worth pointing out to British students of monetary policy that the bank uses a technique of control which operates through the monetary base. This is supplemented by the imposition of loan ceilings on city banks through "window guidance", but there is no system of liquid asset ratios and, despite a continuing huge government borrowing requirement equivalent to 8.1 per cent of gnp in the fiscal year ended March, 1980, the money supply has produced no unpleasant surprises.

To ensure stable monetary growth at home, a necessary condition has been that the yen should fluctuate freely on the foreign exchange market. Although the Bank of Japan has intervened from time to time, it has not undertaken to peg the yen at any particular level for more than a few days at a time.

Since the United States economy started to slow down in early 1979 simultaneously with the upswing in Japanese economic activity, this meant that an important cyclical shift was already beginning to be reflected in Japan's balance of trade. Exports grew more slowly while imports accelerated.

Superimposed on this natural cyclical deterioration of the balance of trade the oil price rises of 1979 made the switch in Japan's external accounts even more dramatic than in 1973-74. From a surplus of $24,596m in 1978, the trade account swung back to a small surplus of $1.845m in 1979, and a deficit is widely projected for 1980.

The yen consequently depreciated sharply from its peak of 176 yen per United States dollar to as low as 264 yen in March this year. Against sterling the fluctuation has been even greater, from 365 yen in October 1978, to 596 in February 1980.

In the early part of 1980 the dominant influences on the yen appear to have altered. When United States interest rates began to fall in April, capital inflows and the reversal of an unfavourable pattern of leads and lags enabled the yen to recover from 264 to 215 against the dollar, making it evident that interest rate differentials were playing the major role.

Despite the precipitate fall in United States interest rates, Japanese domestic rates in the short-term money markets remained substantially unchanged until mid-August when the Bank of Japan lowered the official discount rate. Longer-term interest rates on Japanese bonds did decline, but not as much as the yields on equivalent United States dollar bonds.

The domestic results of the yen's fluctuation have produced an interesting economic phenomenon. Prices of imported goods expressed in yen rose very steeply while the yen was depreciating; at its peak in February the index of import prices had risen by 83.5 per cent over the year. Wholesale prices, a slightly wider index, had risen 24 per cent at their peak. Consumer prices, a still wider index containing relatively less imported items, peaked at 8.4 per cent.

Finally, the gnp deflator, the widest available index of prices, showed no increase over the year to March 1980. In other words, the broader the index of inflation, the lower the inflation rate reported. The explanation for this result is that domestic forces such as wages and rents were not contributing any inflationary pressure, and were in fact capable of absorbing the effects of higher import prices.

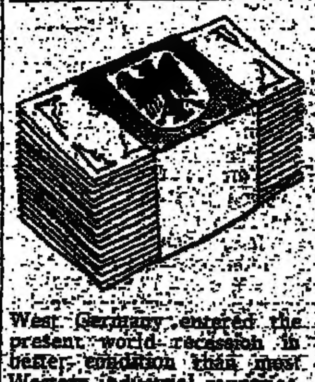
This does not mean that Japan has escaped without paying any real price. On the contrary, the economy has had to produce almost 6 per cent more simply to cover the increased cost of the same volume of fuel and raw materials. Personal incomes have therefore risen considerably less (about 2 per cent in real terms) than real output.

Productivity growth has significantly outstripped wage increases. Thus, in financial terms, Japan has responded to the second oil crisis by paying more (through exporting) to maintain a similar real volume of imports and support an almost unchanged standard of living. Now that the economy has achieved the necessary degree of financial and structural adaptation to the new international price pattern, the yen has returned to something approaching equilibrium.

John Greenwood
economist at G.T. Management Asia, Hongkong

Bonn enters new decade on buoyant note

WEST GERMANY



West Germany entered the present world recession in better condition than most Western industrial countries.

Although there has been evidence of a growing slowdown in economic activity since the end of the first quarter of this year, forecasts suggest that the country will be spared by high levels of unemployment being experienced in the United States, Britain, Italy, Belgium and France.

Inflation, which was running at what the German authorities regard as an unpleasantly high level of 6 per cent earlier this year, has begun to fall, with the monthly consumer price index approaching a 5 per cent year-to-year rate.

The balance of payments deficit, which has made the battle against inflation all the more difficult to conduct through exerting downward pressure on the Deutsche mark, is likely to be a record Dm25,000m to Dm27,000m on current account this year. But already the influential IFO economic research institute of Munich has said that the worst is over and forecast a decline in the deficit to some Dm20,000m next year.

If there is any area for particular disquiet it is in the continuing high level of public sector borrowing, which at an estimated Dm50,000m this year leaves nothing over for any countercyclical government spending to stimulate the economy should the slowdown be more than is expected.

The economy entered the new decade on a buoyant note. Gross national product rose by 4.4 per cent in real terms last year and continued this upward movement in the first quarter of 1980, showing an annual rate of increase of between 4 and 5 per cent.

This continued upward trend caught the Bonn Government and most economic forecasters by surprise. It would seem as if individuals and companies brought forward purchases in anticipation of a quickening of inflation arising from the tensions in Iran and Afghanistan and of further oil price increases.

After this bout of speculative stockpiling, a rapid decline took place in the level of activity in manufacturing and the rate of new orders received by industry.

The drop in the short-term indicators after the first quarter was nothing short of dramatic. The seasonally adjusted industrial production index fell from 128 in March by nearly 5 per cent to 122 in June, while the index for industry's incoming orders declined by 7 per cent on a seasonally adjusted basis over the same period.

By June the slowdown was being reflected in higher unemployment figures. The June increase was the first for 20 years, while a further jump of just over 71,000 to 853,000 in the number out of work in July was higher than normal for the time of year. But alongside such evidence of an economic slowdown, it became apparent that many sectors of business were continuing to do well.

The worst hit was the car industry, where last year's oil price rises finally brought a five-year boom to an end. Production fell by about 10 per cent in the first half of 1980 and a drop in output of between 14 and 16 per cent is a possibility over the whole year.

But other branches of engineering have continued to prosper. While the level of industry's orders in hand fell to an average of 5.1 months' work by June from 3.5 months in December, 1979, order books in the investment goods industry still averaged 5.2 months' work at mid-year.

The first lay-offs in the car industry failed to create the same atmosphere of gloom that accompanied the news of closures and lay-offs in Britain for the past half year. Instead, when the German Ford company and Adam Opel AG, the German subsidiary of General Motors, each announced steps to cut their workforces by about 6,000 people, they were overwhelmed with applicants for the "golden handshake" and early retirement schemes.

Even businessmen, who had been returning steadily more despondent assessments of the economy in their monthly replies to IFO's business opinion poll, appeared to be taking a slightly more optimistic view of prospects by July.

The available evidence suggests that the recession in West Germany will be shallow. Even after the increase in the number of unemployed in July, the unemployment rate stood at only 3.7 per cent of the working population—a level bettered only by Luxembourg in the European Economic Community.

The more pessimistic forecasts produced by IFO and the Institute for World Economy in Kiel have spoken of unemployment averaging 1,100,000 next year, rising possibly to 1,250,000 by the end of that year. These forecasts compare favourably with present conditions in France, Britain or the United States.

Germany is expected to resume its traditional growth course in the second half of 1981.

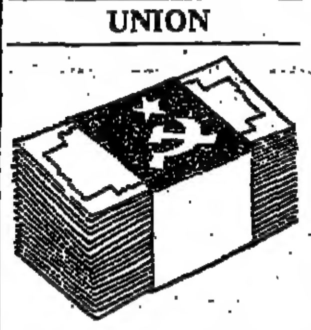
While in real terms the economy can at best be expected to stagnate for the rest of this year, for technical reasons the statistics on the gnp will show a real average rise of between 2 and 2.5 per cent this year, compared with 1979. The same technical factors will probably disguise the true recovery that is expected for the second half of next year. Although such forecasts include an element of crystal ball gazing, the West Berlin-based economic research institute (DIW) has already predicted an average growth in real gnp next year of between 0 and 1 per cent.

Although 1980 is an election year, the slowdown in the economy has not been entirely unwelcome to the Government in Bonn and the Federal Bank in Frankfurt. It has undoubtedly helped to reduce inflationary pressures—particularly in the construction sector where even at mid-year prices were rising by about 13 per cent.

Peter Norm[an]

A cold front moving in

SOVIET UNION



After the disastrous results for last year, 1980 looks like being satisfactory for the Soviet economy. Results for the first half showed an overall economic growth of 4.2 per cent compared with 1979, and a large jump in foreign trade of about 20 per cent. Most key industries, especially in the energy sector, managed to fulfil their targets, though several of these appeared to have been scaled down.

The half-year figures showed a rise in oil production, cement, ferrous and non-ferrous metals and in the fishing industry. But meat and animal fats, still scarce in the Soviet Union and the cause of much grumbling, did not meet their targets.

The Russians must be especially glad that things seem to be on target in the crucial energy sector. The Soviet Union is the world's largest oil producer, but there are well-documented predictions that output will soon start to fall rapidly as the older fields dry up and the newer ones in western Siberia pass their peak production. The Russians still have enormous proved oil reserves, but these are in eastern Siberia where it is difficult and expensive to extract the oil from the frozen wastelands.

Nevertheless this year oil production was up 3 per cent in the first half to 297 million tons, and the country might therefore be able to meet its target of 606 million tons for 1980.

Natural gas production was also good, with a rise of 7 per cent on last year. Gas is increasingly important as a hard-currency export to Western Europe, and output until June was 214,000 million cu metres, only just less than half the year's target. Coal was still rather disappointing, however, with production still below the amounts set by the plan.

Much depends on this year's harvest. The outlook so far is for a better grain yield than the dismal harvest last year which produced only 179 million tons. But the Russians do not look as though they will attain their goal of at least 235 million tons, only two million short of the record. If the weather holds up and all goes well in all the main grain-growing parts of the country, and if labour and machinery are consistently put to their best use, a total of 215 million tons might be achieved. But the more likely figure is about 200 million tons.

The American embargo cut 17 million tons from Soviet imports from the United States this year, but the Russians have been able to make up most of the wheat and maize requirements from other Western sources, especially Argentina. However, American intelligence sources estimate that the Soviet efforts to replace the embargoed grain have driven up world prices, forcing the Russians to pay $1,000m more than they would have paid for the American grain.

Although Soviet economists are expressing quiet optimism that the present five-year plan will come to a satisfactory end in December, the overall results will be far less impressive than the ambitious targets laid down six or seven years ago. The underlying trend of the Soviet economy is bleak: growth is slowing, productivity is not rising fast enough to make up for a rapidly worsening labour shortage, the energy supplies in the immediate future look critical and last year's attempts to tighten the planning apparatus do not seem to have produced any significant gains in economic efficiency.

In addition worker morale has slumped to its lowest level and the conservatism of the aging leadership precludes any real change or initiative in the economy which is frustrating many senior economic managers.

The present five-year plan was pulled down by the poor results of 1979, many of them produced by the exceptionally harsh winter at the beginning of the year. Last year Soviet national income, roughly equivalent to gross national product in Western terms, grew by only 2 per cent, the lowest figure since the war.

Because of the poor harvest, agriculture, which makes up a fifth of the economy, fell by 3.3 per cent over 1978. But growth in industrial production was also the lowest since the war, 3.6 per cent compared to a target of 5.7 per cent.

Industrial growth in the 1976-80 plan was meant to reach a total of 36 per cent, but even if this year's target of 4.5 is achieved, the real figure will be only just over 25 per cent.

This might seem respectable in the West, but it is a sharp drop from the high rates of expansion which the Soviet economy used to enjoy until the 1970s. It also makes no allowance for inflation, whose existence is officially denied in Russia but which makes itself felt to almost everyone in periodic and hefty price rises.

Soviet planners are preparing the next five-year plan, but will be restricted by factors that are causing the top political and economic leadership grave concern. The labour shortage will soon become acute because of the low birth rates over the past 20 years. Whereas past growth was stimulated by annual additions to the labour force, this will no longer be possible. Mr Brezhnev himself told the last party congress that the Soviet Union should now look to sizable increases in productivity, but these have not occurred.

In 1977 Soviet output per worker was only 55 per cent of that in the United States — barely any perceptible improvement on the 1970 figure which was 53 per cent. In spite of a vast increase in state investment in industry—the only sector of the economy now running well ahead of plan—productivity is stagnating.

The Soviet leadership is aware of the gravity of the situation, and responded last year with a resolution that aimed to tighten the planning process, make factories more responsive to the demands of consumers, channel investment into automation and cut back new construction until existing projects were finished.

It went into detail about what needed to be done; measure a factory's output in terms of volume sold instead of volume produced, speed the commissioning of new equipment, improve the standardization of consumer goods and the quality of output, withdraw obsolete articles from production and tie retail outlets more closely to their suppliers.

It also called for greater economic accountability by individual enterprises, an increase in material incentives available to them, and more technological research.

The resolution is not the decentralization that many Western economists insist is essential if the economy is to be revitalized. Instead, it effectively tightens the grip of the centralized planning organs. But Western observers believe the complexity of the new indicators that have to be reported to Moscow will lead factory managers to carry on much as they have done.

In the end, it is said, the Soviet economic crisis will be a determining factor in the selection of the new leadership, and in governing Soviet attitudes to detente and the demands of the military machine. But for the moment the leadership is content to muddle through. And the results for the past year make it clear that so far this policy holds.

Michael Binyon

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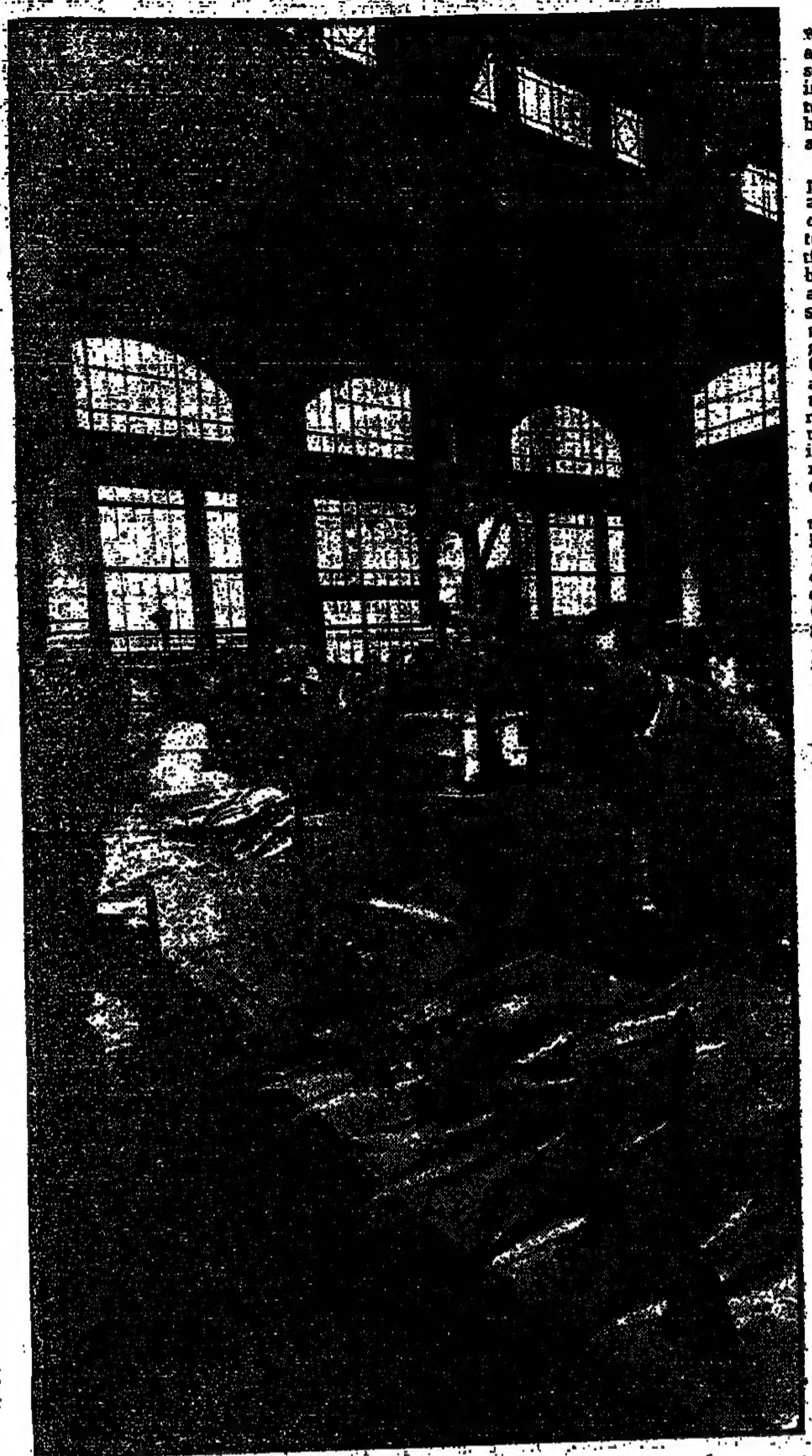
Attempting to lay a will o' the wisp



Fish prices keep pace with Italy's galloping inflation, imposing frugality on the housewife.

ITALY

With most of the industrialized world gripped by recession growth this year of 3.5 per cent to 4 per cent for one of its most vulnerable economies might seem a will o' the wisp, yet that was still the official 1980 target of the Italian economy at the end of the summer.

One reason for continuing growth was that internal demand had been sustained for much longer than had been expected. But a price has been paid for this outward wellbeing. As a government statement on economic strategy has pointed out: "Italy, of all the industrialized countries, has the highest inflation, the strongest internal demand, the fastest rising costs, and the greatest dependence on imported oil".

Inflation at 20 per cent or more no longer arouses surprise. About 68 per cent of energy requirements are supplied by imported oil. This adds a severe burden to the balance of payments, which has been reflected in a swing from a 1,395,000m lire (about £690m) surplus for the first six months of last year to a deficit of 4,628,000m lire for the first half of 1980.

Signor Carlo Azeglio Ciampi, Governor of the Bank of Italy, used words which have lost none of their meaning in his annual address at the end of May: "Our economy risks sliding down the slope which it had with effort climbed in 1977 and 1978. Inflation, like the disease of consumption, which has been eating away at it for years, is attacking with renewed violence. The competitiveness of our products is being reduced. The public sector deficit is pressing on disposable resources. The balance of payments has returned to being passive. Dangerous company crises drag on, becoming worse, and new ones lie ahead."

He echoed the warnings, which had become a standard refrain of his predecessors, that it was self-defeating for governments to try to solve difficulties merely by making stop-gap funds available.

"The crises of companies, private and public, which accumulate loss on loss cannot be solved by recourse to purely financial operations", he said. "These can be useful when undertaken and launched to overcome structural difficulties, which relate to the production of goods and their marketing. Otherwise subsidies are added to subsidies, and waste to waste, with the illusion of remedying—but in fact putting off—problems, extending their dimensions, and making their solution more difficult and costly."

But the governments of the past year, increasingly hard-pressed by the communists, have found it difficult to draw up and carry out coherent policies. The Government's attempts to get a package of short-term measures through Parliament this summer were delayed by a mixture of communist opposition and neo-fascist obstructionism.

The intention, at least originally, was to shift about 4,000,000m lire (£2,000m) from consumption to industrial investment and exports. For the sake of industrial peace, the Government also gave way to trade union resistance to reducing labour costs by pruning *scala mobile*, the system of automatic wage rises indexed to the cost of living.

As often before, it was left to the monetary authorities to keep the economy on the rails, with a strict credit policy that ranged from a three-point increase in the discount rate last December (making it 15 per cent) to a scale of monthly credit limitations announced by the Central Bank in June. Banks were not allowed to exceed the volume of their May, 1979, lending by more than 20 per cent to 22 per cent in the period August to November. A jump to 27 per cent will be permitted at the end of this year, but this will sink to 26 per cent in January and February and return to 27 per cent only in March next year.

Government leaders have been concerned at the gradual loss of export competitiveness. It was official policy, however, to resist devaluation of the lira as a remedy, though this was advocated by a number of industrialists and the currency was subjected to intermittent attacks from June onwards.

The lira was quietly allowed to slide from the top to the bottom of the European Monetary System, leaving open the question of whether an adjustment to its rate after all might be necessary in the autumn, after the seasonal currency inflow from foreign tourism.

The Bank of Italy was able to accumulate reserves for much of the year, till they stood at more than $50,000m this summer, admittedly with the benefit of the revaluation of their gold content. This was an incomparably stronger position from which to combat speculative attacks than that of early 1976.

The pressure of successive governors of the Central Bank for governments to tackle economic problems at the root is beginning to be heeded by the politicians. The formulation of a medium-term economic programme is a government priority for the autumn. Public debate has widened to cover the whole role of government, with particular attention to defects in government leadership, in the tendency to legislate by decree, and in the functioning of Parliament.

Signor Filippo Maria Pandolfi, the Treasury Minister, admitted in a recent press interview that individual ministers tended to go their own ways in preparing legislation, and greater team work was needed in the Cabinet. In his opinion, the number of Bills produced by the Cabinet could well be cut by half.

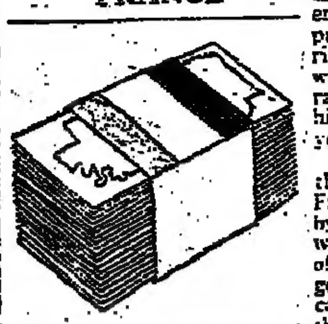
He named inflation and energy as two important problems still defying solution. The present system protected wage earners but left savers without defences against inflation, with the result that the country tended towards a Third-World economy which did not create accumulation and generated frustrations. As to energy, Signor Pandolfi said that in 1990, even if all the national electricity board's programme were carried out, Italy would still depend on imported oil for 35 per cent of its electricity production against 21 per cent in West Germany, 6 per cent in France, and nil in Britain.

But experience suggests that an exaggerated view should not be taken of Italy's prospects. The country was fortunate in feeling the recession later than other Western countries. With any luck, it will not be late in benefiting from the recovery, when it comes.

John Earle

A Joseph to lead through the lean years

FRANCE



When the fishermen of France decided to claim the Government's attention last month they began by taking several thousand British tourists hostage on the quaysides of the Channel. The French Government did nothing.

The fishermen extended their blockade to include the big oil port of Fos in the Mediterranean and, almost within hours, the Government reacted and sent in the Navy. M Raymond Barre, the Prime Minister, declared this nautical civil war because, as he said, "All French people will understand that the Government cannot tolerate action which threatens the oil supplies of the country and threatens to paralyse its economic life".

Ever since the Yom Kippur war created the 1973 oil crisis France has been mesmerized by the possibility of a potential energy shortage. It explains the country's vast nuclear programme, its foreign policy and its fiscal system. Oil may grease the wheels of the French economy but the fear of having no oil motivates the designers of the wheels.

It is now seven years since that first real oil crisis and in the intervening period the economic outlook of the French has changed radically, and as a direct result of it. The energy crisis has concentrated the minds of the people wonderfully and as a consequence the Government has been able to pursue taxation and austerity policies which could well have toppled even General de Gaulle at the height of his popularity, in the boom years of the early 1960s.

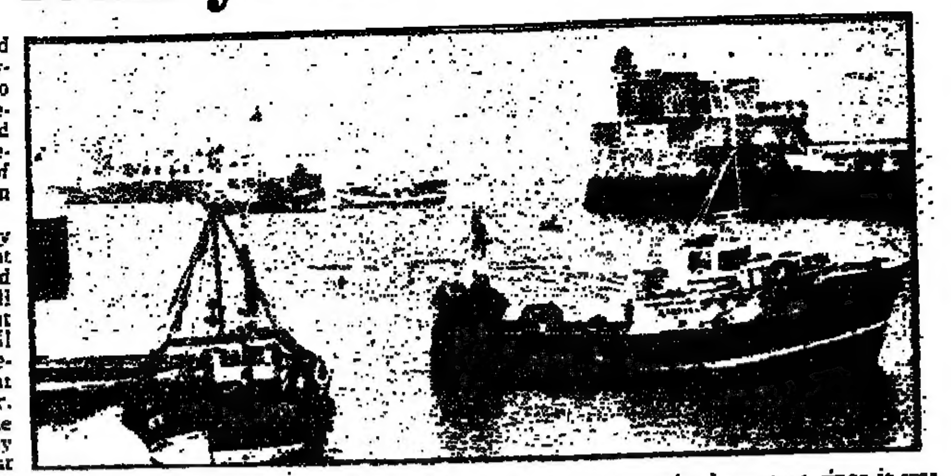
This change of heart by the naturally exuberant French is well demonstrated by a recent opinion poll which shows that 58 per cent of people believe things will get worse over the next decade, while only 21 per cent think they will get better. Only three years ago the figures were the other way round, with 42 per cent optimistic and 15 per cent pessimistic.

This change in outlook has coincided with the term in office of President Giscard d'Estaing, and it is the presidential elections scheduled for next April and May which ought to be the other dominant factor in any study of the country's economic future. Electioneering ought logically to be playing an important part.

It goes no farther than "ought to be", however, because President Giscard finds himself rather in the position of Joseph in the *Old Testament*, who won high position by predicting a famine. He has spent seven years warning the people that things can get worse, to such an extent that his popularity would seem to lie in the belief that he is the man best suited to lead through the seven lean years he predicts are bound to come.

In M Raymond Barre, "the best economist in France", the President has discovered a hatchet man with, it is said, no political ambitions, who is therefore prepared to rule the French economy with absolutely no deviations made for political expediency.

The combination of these two talents, plus the lack of any obvious talent on the opposition side, has resulted in all the latest opinion polls showing that President Giscard is bound to be re-elected no matter who stands against him. M Barre is, accordingly, being allowed to pursue his austerity policies with no interference from higher authority.



Part of the blockade set by French fishermen at Le Havre against three British ferries during the recent dispute.

In the four years since M Barre came to office many of the main economic indicators have deteriorated. Unemployment is now about 1,500,000; inflation this year is expected to be at least 13.3 per cent and the overseas trade deficit (largely because of oil imports) was 5,000m francs in July. The rise in the purchasing power of salaries is now only 1.7 per cent—the lowest it has been for 11 years.

At the same time, as both President and Prime Minister are never slow to point out, these figures are not so bad when set against the international figures and show that France is economically able to face the present second energy crisis, caused by the rapid rise in the price of oil.

The French oil bill is almost double what it was a couple of years ago and is expected to be about 120,000m francs a year before long—equivalent to the total amount raised by direct taxation. It is M Barre's paramount task to work out the best way of paying this bill without stifling the economy by more taxation.

For M Barre there is no question of asking business to pay more. He believes that further taxation on industry and commerce will sap the country's strength at a time when it needs to be as healthy as possible to face up to foreign competition.

M Barre is relying on stimuli to private industry to increase France's wealth, as was well shown by his small package of measures announced at the beginning of the month. Apart from small payments to pensioners and poor parents the main intention was to stimulate exports and tax investment. At a cost of a mere 1,000m francs the package was a cheap one but it shows the ways of M Barre's continued thinking.

M Barre's plan has remained constant since it was introduced four years ago. His triple targets are still to reduce inflation, to restore public finance, and to help the private sector to economic stability, principally by encouraging wage restraint. If the plan has not been totally successful, M Barre would claim, it is largely because of the continuing rise in oil prices.

That is why the economic growth rate is slowing down to an estimated 2 per cent next year, compared with the 6 per cent rate needed to maintain employment. Private investment is also calculated to be decreasing rapidly as the French, as always in time of economic trouble, revert to their age-old habit of preserving their money, if not in a stocking, at least in the relative safety of a savings account.

All the experts agree, however, that the signs are that France will somehow succeed—despite the cost of oil—in balancing its trade figures by the end of next year. That is always supposing, of course, that the fishermen are prepared to allow the trade in and out of the ports.

Ian Murray

Italian Genius

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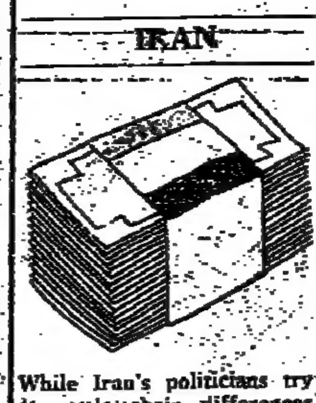
Dwindling of oil revenues was a major shock

IRAN



While Iran's politicians try to settle their differences and decide their priorities, the economy has bowed to necessity and learnt to make its own rules as it hobbles along. On paper, a series of nationalizations and financial and economic adjustments points the way towards a complete overhaul. In practice, the economy is an inconsistent blend of radicalism and pragmatism that has had to cope with many emergencies including a "mini-war" with neighbouring Iraq.

Possibly the biggest shock was not the revolution of 1979, nor the sanctions of 1980, but the unscheduled drop in oil revenues after the April increase in oil prices by $2.50 a barrel to about $35 a barrel. Oil income for the budget year March, 1980-March, 1981 fell almost overnight from about $24,000m to about $13,000m when Japanese oil buyers and BP and Royal Dutch/Shell stopped buying more than 800,000 barrels a day.

Potentially abundant oil revenues had helped to cushion the after effects of the late Shah's mismanagement and the more immediate effects of revolutionary disruption, allowing the Government to buy itself out of trouble when the time came to nationalize bankrupt banks and industries in mid-1979, meet higher salary demands and make up for shortages by buying generously from around the world.

The changed circumstances were formally acknowledged in the May emergency budget of $46,000m, nearly half of which required deficit financing. Many officials welcomed what they expected to be the salutary effects of this enforced belt-tightening: the Government, distracted by political problems and afraid of middle class and business reaction, had failed to put its [illegible] into action and radicals saw the Western [illegible] as a convenient vehicle for reforms.

Such expectations [illegible] fully materialize [illegible] dashed very soon [illegible] uled talks with the Japanese companies remove the threat of dwindling oil money.

Despite the American freeze of Iran's assets, foreign exchange reserves abroad are considered adequate—only about $3,000m is directly affected by the United States move, while a further $5,000m is in the twilight zone of United States banking operations in Western Europe.

If necessary, the Government can recall about $8,000m in reserves abroad, certainly enough for any reasonable period it might take to solve the United States hostages crisis which is at the core of the sanctions and the refusal to buy Iranian oil. Repayment of international loans of about $5,000m is being made sufficiently regularly, but [illegible] bankers in the West [illegible] much.

Present oil production of 1,300,000 barrels a day allows for [illegible] exports of about one million barrels a day, [illegible] short of the Government's [illegible] based on an expected oil price of $40 a barrel before the end of this year.

The fighting with Iraq has [illegible] affected crude export potential although damage to the Abadan refinery will mean at least a temporary loss of about 200,000 barrels daily in sales of fuel oil and other refined products.

Industry has perhaps suffered most since the revolution. Managerial gaps and labour radicalism have crippled production at many plants by as much as 50 to 70 per cent. Some plants have had to close. Yet the industrial picture is far from consistently gloomy and many factories producing consumer essentials are doing better than ever.

In contrast to the essentially confused industrial picture, agriculture is seen a very healthy revival despite political problems and fighting in prime agricultural areas.

So far, except in dealings with the United States and the Soviet Union, who are considered hostile, ideological considerations have played less of a role in Iran's economy than day-to-day pragmatism. Socialist measures including greater state control are certain to be basic features of the developing economic picture but an Islamic economy that works according to a master plan will not emerge until the political equation is first solved.

Vahe Petossian
Middle East Economic Digest

Why bank managements are scratching their heads

THE GULF

Banks in Saudi Arabia and the Gulf states have profited in 1980, but some of the enthusiasm may be more apparent than real. Balance sheets, when they are published, reflect the boost to earnings caused by high dollar interest rates early in the year. Since currencies such as the Kuwaiti dinar, the Arabian Saudi rial, and the United Arab Emirates dirham tend to move with the dollar, the banks benefited from interbank operations during the period of tight liquidity in the first quarter.

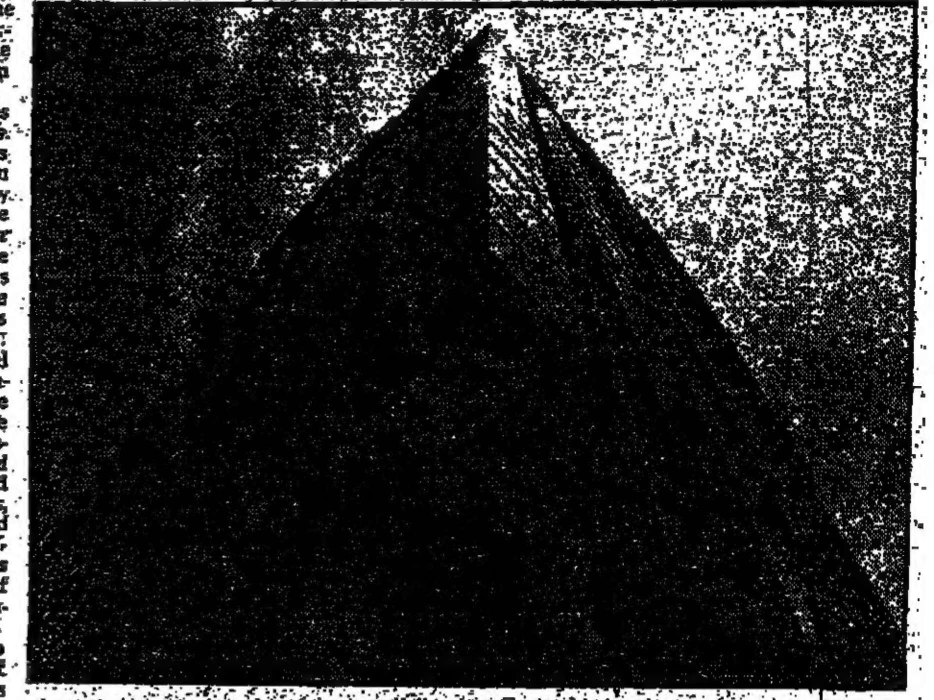
The record profit figures also resulted from windfalls. Several Bahraini banks which were involved in shares issued for publicly quoted companies had huge amounts of money on their books when the issues were oversubscribed. For six days in late 1979 one of the island's 18 commercial banks had $17,000m at its disposal.

The funds from hopeful shareholders in the Gulf Investment Company came mainly from Kuwait, where the domestic banking system was practically stripped of deposits. What was good for one commercial bank, however, probably served only to deepen the suspicion of money managers elsewhere that the Gulf banking system is fundamentally volatile.

Credibility is important to Gulf banking. A feature of its claims to maturity was the Kuwaiti dinar bond market which remained quiet for most of 1980 after a moratorium on publicized dinar bond issues was imposed in November, 1979. The moratorium was introduced by the Central Bank to stop large capital outflows and the semi-official borrowings permitted came to a total of only $240m.

Through the work of bankers such as the Kuwait International Investment Company's general manager, Mr Hikmat Nashashibi, the dinar bond market has appealed to several prime borrowers, including the city of Oslo, which is to be the first to return to the market now that the moratorium has been lifted and a queue system instituted.

An altogether less happy reception has been given to attempts to create secondary markets in instruments such The UAE Currency Board, due to become a central bank on December 15, permitted two Abu Dhabi banks to launch certificate of deposit issues in early 1980. Although the issues as certificates of deposit were both successfully placed there has been little trading, possibly because the experiment was too limited and other banks were either uninterested in issuing certificates of deposit or were not permitted to go ahead.



A new bank in Abu Dhabi

Perhaps what also lies at the back of several experiences is a growing realization that The Gulf is overbanked. Undeterred by this, Bahrain's colony of 58 offshore banks is soon to be joined by a Japanese contingent. But several foreign banks have pulled out.

Not every bank looking for business in The Gulf relishes the advances made by the banks owned by Arab governments. Gulf International Bank of Bahrain, whose shareholders are the seven Arab Gulf governments, is one whose success has aroused envy. The award of the mandate to raise $300m for the Bahrain Government, where Gulf International is based, raised eyebrows because the chairman of Gulf International was also director general of the authority awarding the mandate. Bankers elsewhere in The Gulf have also criticized the terms—one quarter per cent above the London interbank offered rate—as being too fine.

Abu Dhabi also has its Government-owned financial institutions which have taken a dominant role in lending to local borrowers. The institutions defend the charge of being greedy by saying that it is their job to keep down the cost of borrowing. Yet this has not always been successful. A much criticized deal in the summer of 1980 was a proposal by the Abu Dhabi Investment Company to refinance a $100m 1978 borrowing by the state telecommunications organization. This deal fell apart because half of it was to be in dirhams (the local currency), and the underwriting group could not get access to dirham funding.

The plight of the banks suggests an irony about oil surplus states: there are no automatic profits to be made even in having a money shop.

A Special Correspondent

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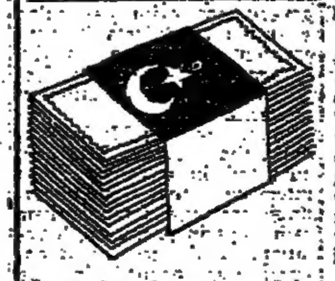
Lean winter ahead but political violence under control

TURKEY



As Turkey faces one of its leanest winters ever its people can at least be consoled that one further hardship, political violence, is now firmly under control. The six-man military National Security Council, led by General Kenan Evren, which took power on September 12, pledged itself to restore law and order and reform the constitution before handing the country back to civilian rule.

On the economic front, however, the military leaders have taken care to preserve the continuity of a tough austerity programme launched in January by Premier Suleyman Demirel and his influential economic adviser, Mr Turgut Ozal.

Within 48 hours of the coup the generals made it clear that Mr Ozal would stay on as economic supremo. This move was essential to maintain business confidence both within and outside Turkey, especially with international bankers and the International Monetary Fund.

The IMF, carefully monitoring Turkey's economic performance, was preparing to release another $94m tranche at the end of September as part of a three-year aid package. By the IMF's chosen criteria the Ozal-Demirel measures are beginning to pay off.

Inflation, which was at a rate of more than 100 per cent last year, has been curbed to a certain extent. "Investments have dropped while the prices of real estate and lasting consumer goods have decreased", Mr Ozal said in a recent statement. "These prove that the value of the Turkish lira is increasing."

It is about time, say opponents of Mr Ozal's IMF-backed economic policies, who note that the value of the lira dropped by nearly 70 per cent since the Demirel Government came to power last December, and that the pound is now at a record of 191 lira compared to 106.33 lira last January. A further devaluation of 22 per cent is not impossible, they add.

When he handed the reigns of the economy to Mr Ozal, Mr Demirel said that his Government would adopt "the only possible solution". According to Western sources, this was to follow without question the proposals of the IMF, which asked for devaluations and cuts in purchasing power in order to put the economy back on its feet at the end of a long-term rescue operation.

The IMF prescription is also being followed by the military government.

But, some observers say, the plan is not working. Production and growth are still low, as are exports and the remittances which were expected to flow in as a result of the devaluations, followed by a quasi-total liberalization of a so-far statist economy. Interest rates were liberated as well, leading to an unprecedented confrontation between banks and independent stockbrokers, who are giving investors rates as high as 44.5 per cent.

The balance of payments position now is worse than it was last year, and in the wake of the most advantageous deal accorded to a country by the IMF, Mr Ozal flew to London in August to ask for a further relaxation of the credit limits accorded to Turkey.

"Cheeky, we could call that," a British diplomat in Ankara commented.

But most Turkish economists opposed to the Ozal plan disagreed. "Turkey," one said, "has become the sounding board for the IMF's change of policy from Keynesian economists to the financial policies of Milton Friedman and the Chicago school—the 'jungle' school of economics."

They further alleged that Mr Ozal's package had not really earned anything so far and was trying to bridge the gaps in the economy with foreign aid and rescheduled debts alone.

This reliance on foreign aid makes Turkey, among other things, the third largest recipient of United Kingdom aid in the world—after India and Bangladesh—with an overall figure of about £15m a year. It also reflects, Western sources say, the basic shallowness of the economic measures. "The past year," one economist said, "can be summed up as a period in which Turkey tried, sincerely but superficially, to redirect its economy on Western lines."

Even with last year's violent social unrest now firmly curbed by the military the real test will be the coming winter. According to Western sources and to opponents of Mr Ozal's plan, a country which has no energy policy to speak of, which has based its survival on petroleum products but spends all its export earnings on oil, is doomed to freeze for winters to come.

Not so, Mr Ozal says, and contends that "those who predict an economic crisis for this winter will be put to shame". Turkey has sufficient stock of crude officials maintain, which can be further reinforced.

Despite official optimism the problems of the future speak for themselves, with an unemployment rate of about 20 per cent, this will continue to increase because of the lack of vacancies which Mr Demirel has said should be created at the rate of 400,000 a year.

Hopes that Turkey will follow close behind Greece to full membership of the EEC must have been dimmed somewhat by the military takeover. However EEC member states meeting in Brussels soon after the coup were anxious that Turkey's association agreement with the EEC, signed in 1963, should not be frozen again as it was by Premier Bulent Ecevit two years ago. Although the deposed Demirel government's bid for EEC candidacy before the end of the year is now a dream, the generals are likely to pursue a similar pro-EEC line.

Sinan Fisek
David Shirreff
Features editor, *Middle East Economic Digest*

هكذا من الاصل

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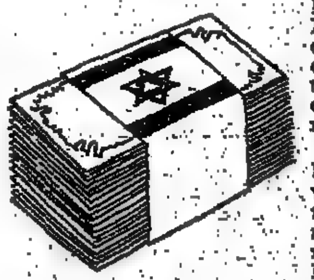
Surgery fails to heal 'living flesh'

ISRAEL



The recent serious deterioration in the security of the occupied West Bank has diverted attention from the *unhappy fact that Israel's* shaky coalition Government is fighting a losing battle to control a rate of inflation estimated by most economists to be the highest in the world.

In May, the state-controlled Israel Radio informed its listeners that the country had *overtaken Argentina in the* table of world inflation. Today, with the rate standing at about 130 per cent a year, that position still stands.

Politically, much of the blame for the continuing decline in Israel's economic situation has been put on Mr Yigael Hurwitz, who marked his appointment as Finance Minister last November with an extravagantly worded promise to "cut from the living flesh" in an effort to nurse the overheated economy back to health.

In a few areas, particularly the ruthless elimination of state subsidies, he has kept strictly to his word. *But in many others, political* considerations and the power of individual ministers inside the divided coalition have caused him to act less resolutely.

Economists point out that he has done little to deal with chronic over-staffing in the public sector, or to stop the wholesale printing of money. Also the hawkish Mr Hurwitz has done nothing to curb spending devoted to expanding costly Jewish settlements in occupied territory.

*But perhaps his most con*spicuous failure was the attempt last February to mount a psychological challenge to runaway inflation by switching the currency from the Israeli pound to the biblical shekel, the ancient tender of the patriarch Abraham.

Involving little more than a move of the decimal point one place to the left, the step was treated with scepticism by the public. Its final implementation is now postponed until this October, and it is already recognized to have failed in its purpose.

With a national debt approaching $20,000m and a balance of payments deficit expected to be standing at $5,000m by the end of the year, the weakness of Israel's economic position is shown by almost every official statistic.

But in August, the Government formally presented a *demand to America* for a grant of nearly $3,000m in economic and military aid to cover the fiscal year 1982. In spite of American disap*proval of many aspects of* Israeli policy, diplomats expect about two thirds of the demand to be met.

At the same time, Israeli *citizens continue to cope with* runaway inflation in a variety of ways, both legal and illegal. It is no coincidence that recent figures show that *one in every 10 cheques* bounces and that moonlighting has become a national pastime.

But more significant is the comprehensive system of indexing which is constantly being updated to protect workers against the ravages of an inflation which often increases more in Israel in a month than in many European countries in a year.

The system covers most aspects of an individual's financial life, including his wages, taxes and savings. So far it has warded off the most dangerous political consequences of hyperinflation; but it has also convinced economic experts that there is no real chance of Israel coping with its inflation until both the Government and the citizens are made to suffer its effects more realistically.

Christopher Walker

Outward-looking policy imposes burdens

CHINA

China is undergoing the most thorough revision of its economic and budgetary priorities since the early 1960s. The National People's Congress meeting in Peking this month has been told of *a big budgetary deficit, dif*ficulties with the all-important harvest, and deliberate cuts in the rate of economic growth aimed at rationalizing the balance between light and heavy industry.

Last year's short, sharp war with Vietnam imposed a heavy burden on the national coffers, and defence spending is being cut back to make up for it. China has also in*curred an international debt* through its new outward-looking policy on foreign trade and investment, and is committed to repayments and interest payments this year amounting to £633m.

The leadership, effectively headed by Mr Deng Xiaoping, the senior party vice-chairman, has accepted that overall economic growth will suffer in the short term because of the emphasis on agriculture and light industry at the expense of such heavy industries as *steel, oil and coal*. National gross output by value (the Chinese substitute for gnp figures) will fall to 5.5 per cent this year as against the 12 per cent claimed in 1978.

This slowing of growth is rationalized by the argument —which Mr Deng favours—that heavy industrial output can be counter-economic if it is not meticulously planned, and is overrated as a factor in improving living standards.

In its first venture into deficit financing, the Chinese Government has admitted excess spending of nearly £5,000m in a budget which was supposed to have been balanced at *£33,000m* at recent rates of exchange. Mr *Wang Bingqian, the new* Finance Minister, has promised to slash this to the equivalent of £2,339m in 1980 and £1,462m in 1981.

Although the minister said that the Government's borrowing from the state bank did not create extra money supply, there has been inflation over the past year—mainly because of rising food prices. The new system of industrial bonuses is also inflationary in practice if not *in theory*, and both workers and peasants are receiving more cash than ever before.

Agriculture has had a bad year, with drought in the north and floods in the south, and the peasants taking advantage of their new freedom to grow profitable cash crops instead of grain if they please. The grain harvest may fall short of last year's 332,500,000 tons, although good weather next year could make it possible to boost output to or *beyond the target* figure of 342,500,000 tons.

Spurred on by the new policy of permitting something almost equivalent to free enterprise in towns and cities, light industry has led production statistics with a growth rate of nearly 10 per cent last year. Heavy industry's share of national output has fallen from 8 per cent to 6 per cent.

The most puzzling feature of the new economic policies is the slow growth of oil production.

While China has big resources for hydroelectricity to be developed in the south-west, and northern coal reserves are ample for the foreseeable future, electric power generation is still one of the biggest blockages in the entire economy. The proposed British-built nuclear power station to serve both Canton and Hongkong is a project which may be repeated in other parts of the country.

The main emphasis is being put on boosting supplies for the construction industry, especially cement, and for chemical fertilizers, which are *still* scarce and have to be extensively imported.

While demand for many types of heavy industrial machines has slackened under the new policies, imports will continue to grow as more and more freedom is granted to individual Chinese factories to buy what they need from abroad and find the foreign currency however they can.

Foreign trade is scheduled to reach about £5,000m this year and more than £16,000m in 1981.

David Bonavia

Still a safe haven for spare capital

AUSTRALIA

The extraordinary surge in Australian share markets in the past year is based not *only on Australia's energy* resources, but on recognition that the economy is being managed pretty sensibly. The Liberal-National Country Party economic controls slackened somewhat in the 1980 election year.

But the planned reduction of $A600m in the domestic deficit for 1980-81 attests that the basis of government policy—the "bearing down" of inflation—is still in place.

What has slipped is the government doctrine of reining-in the public sector to make room for private-sector economic growth.

If the Government's monetary growth target of 9 per cent to 11 per cent for M3 (broadly-defined money supply) is achieved, Australia's inflation will probably remain below, or not greater than, the OECD average for the next year or two. The Australian dollar should, therefore, remain strong enough to maintain the country's role as a safe haven for footloose international capital.

The Treasury aim is to hold the inflation rate within about one point of the 1979-80 result—to about 10.5 per cent compared with last year's 9.25 per cent for the non-farm economy. This would still be a reasonable result by international *standards*.

The other problems of Mr Fraser, the Prime Minister, are of his own making. The coming boom in *resources projects* will require firm handling if the benefits are to be made the best of for the nation. But Mr Fraser is still giving too *great* a weighting to short-term political advantage.

He has acceded to excessive borrowing programmes by state governments.

Mr Fraser clings to the notion that the country's highly-protected industries can remain insulated from developing nations' exports. *They cannot, as the contrac*tion of the clothing, textiles and footwear sectors has shown. Meanwhile, the tariff burden on the com*munity is* heavy and the anti-inflation campaign is slowed. More important, the energy export boom is going to require an import boom, which needs to be channelled against Australia's least competitive industries rather than against both good and bad industries.

In monetary policy, Mr Fraser is also creating contradictions. He is enforcing a two-tier interest rate *structure on the banks* in which housing and small overdraft rates are jammed below market rates, while the banks' big business rates follow the market.

Overall, however, he has run a *fairly firm* and tough economic policy for five years—a record which few other Western governments could emulate, prone as they are to stop-go-stop.

Mr Fraser has also demonstrated that firm domestic policies can validate what is normally the self-indulgence of devaluations. Australia's manufacturing sector is recording big gains in its international *competitiveness*.

The company sector generally has staged a significant recovery in profit levels and is likely, within a year or two, to regain the strength it had before the 1974 recession struck.

Tony Thomas

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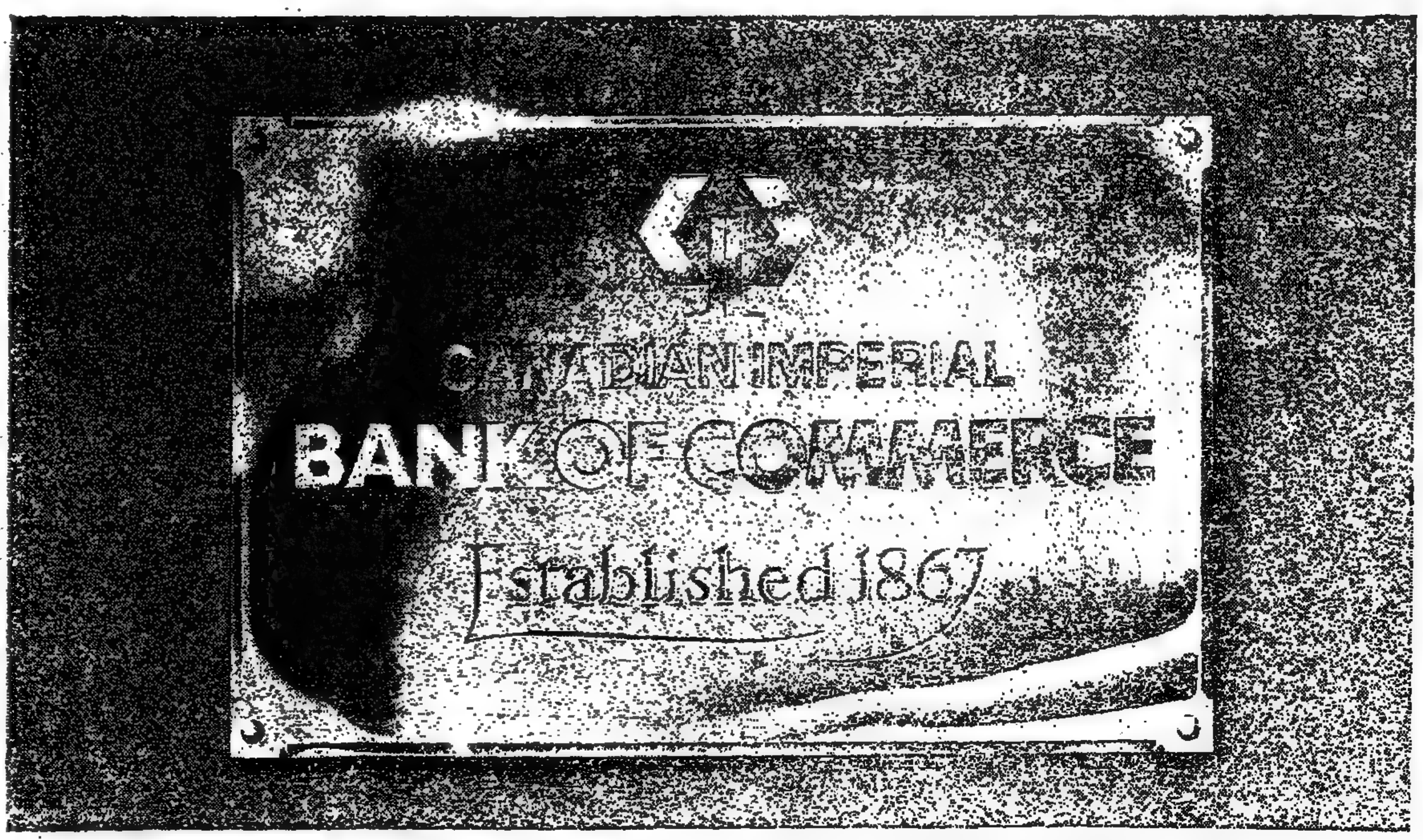

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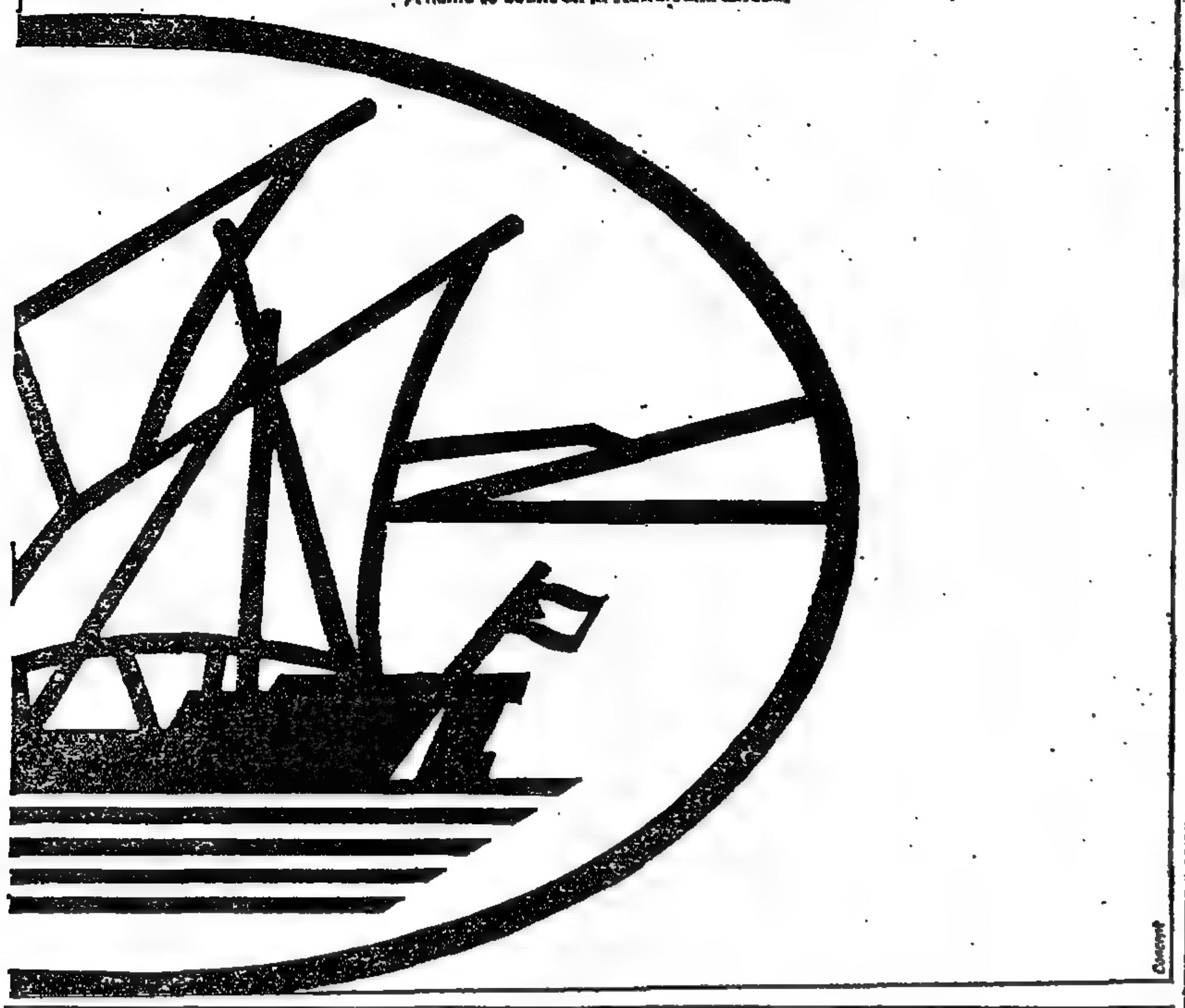

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ANNUAL FINANCIAL REVIEW

Government mood of optimism may be reflected in Budget

CANADA

If government optimism were the determinant, Canada's recession could be considered just about over—almost before it had begun.

Mr Allan MacEachen, the Finance Minister, said recently that the best forecasts he has seen indicate that there will be a recovery later this year, and that it will become "brisk" early next year.

This optimism presumably will be reflected in the Budget which Mr MacEachen plans to present to Parliament in the autumn, although probably not to the extent of changing the generally restrictive direction of Canadian fiscal and monetary policy. The Government is still too concerned about inflation to permit anything like that.

Although the economy has been faltering since last year, it is only in the first two quarters of this year that real output has dropped. Gross national product advanced 1 per cent in the second quarter from a year earlier, to \$Can281,000m, seasonally adjusted at annual rates.

But when allowance is made for inflation, this represents a 1.1 per cent fall. For the entire first half of 1980, the drop has been 1.7 per cent, making the recession more severe than the downturn of 1974-75. Production is now 0.2 per cent lower than last year at this time, the first year-to-year decline since early 1975.

Mr MacEachen is not the only one forecasting an early end to the recession, however. The Conference Board in Canada, an independent research organization, predicts that the economy will grow next year by 2.1 per cent. Other predictions extend as high as 3 per cent.

On the other hand, some economists foresee only a slow, painful turnaround in 1981. Much will depend on how quickly the United States snaps out of its recession, since good times south of the border, where Canada's major export market lies, invariably mean good times in Canada, too.

The same applies in reverse. Canada's slump is attributable in part to a marked slowdown in purchases of Canadian goods by America, caused by the business decline there.

Another major factor is a pronounced weakness in consumer demand, linked to rising inflation and record high interest rates. The durable goods and house building industries have been particularly hard hit.

This year is certain to be the worst since the early 1960s for housing starts.

Economists and political observers are anxiously awaiting Mr MacEachen's first Budget since he assumed the Finance portfolio in March. Because of political changes, it has been two years since Canada has had budget provisions passed by the House of Commons.

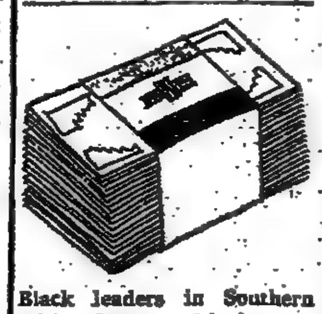
The Finance Minister has indicated that he will make his presentation shortly after Parliament re-convenes in October, but declines to say just when. He did tell reporters that inflation, which recently edged into double figures for the first time in four years, was still of "major concern" to the Government.

This with the Government's expected \$C13000m operating deficit this year, probably rules out any major programme to stimulate the economy and reduce unemployment, now running at a seasonally-adjusted annual rate of 7.6 per cent.

John Best

Trade with black north increases

SOUTHERN AFRICA



Black leaders in Southern Africa berate with increasing ferocity the Pretoria Government of Mr Pieter Botha, while the South African Prime Minister continues to believe that his idea of a "constellation of states"—a grouping based on economic interdependence—is not such a pipe dream as the black leaders make it out to be.

What they say in public and what is actually being achieved through quiet negotiation and diplomacy are two different things, he confidently told the Natal Chamber of Industries in Durban.

The facts seem to support Mr Botha's argument. South Africa's trade with black Africa has risen greatly in the past year and exports for the first four months of 1980 were 55 per cent greater than for the same period last year.

One of the biggest increases has been in trade with Angola, and the South African Foreign Trade Organization (Safto) is shortly to send a marketing executive to Luanda despite the MPLA Government's firm support, until recently, for the Organization of African Unity's boycott policy.

Farther north, Kenya has been compelled to buy South African maize, while Zaire, Zambia, Zimbabwe, Malawi and Mauritius are also turning increasingly to South Africa for food.

This reliance on help—at a price—from the white south was emphasized at a conference in Salisbury of ministers of nine southern African countries.

Mr Robert Mugabe, Prime Minister of Zimbabwe, said at the conference: "We have been forced to compromise our economic resources because they are dominated or owned by foreign investors. As we try to import consumer and capital goods, the prices we pay are deliberately exorbitant. Is there any wonder why we have been turned into either economic puppets or perpetual beggars?"

South Africa, in the meantime, is laughing all the way to its Reserve Bank as its economy revels in gold.

The country had a favourable trade balance of 3,786m rand in the first seven months of this year compared with 3,002m rand in the same period last year.

The outgoing governor of the Reserve Bank, Dr T. W. de Jongh, reported in August that during the second half of the fiscal year to June, South Africa's real gross domestic product grew by 8 per cent compared with the corresponding period in 1979.

In its customary jargon, the Reserve Bank attributes the high rate of growth to increased consumer confidence, increased real disposable incomes, a favourable investment climate and ample availability of funds.

But private bankers indicate that funds are becoming tighter, mainly because of the low prime overdraft rate of 9.5 per cent. As for increased consumer confidence and real disposable incomes, there is a hollow laugh at these suggestions in some quarters, particularly the Housewives League of South Africa, which is urging a boycott of red meat because of rapidly increasing prices.

Inflation was running at nearly 20 per cent in June with the food only index showing a 12-month rise of more than 15 per cent. Dr Johan Cloete, chief economist of Barclays Bank, has given warning that the inflation rate could reach 18 per cent this time next year unless deliberate anti-inflationary measures are taken.

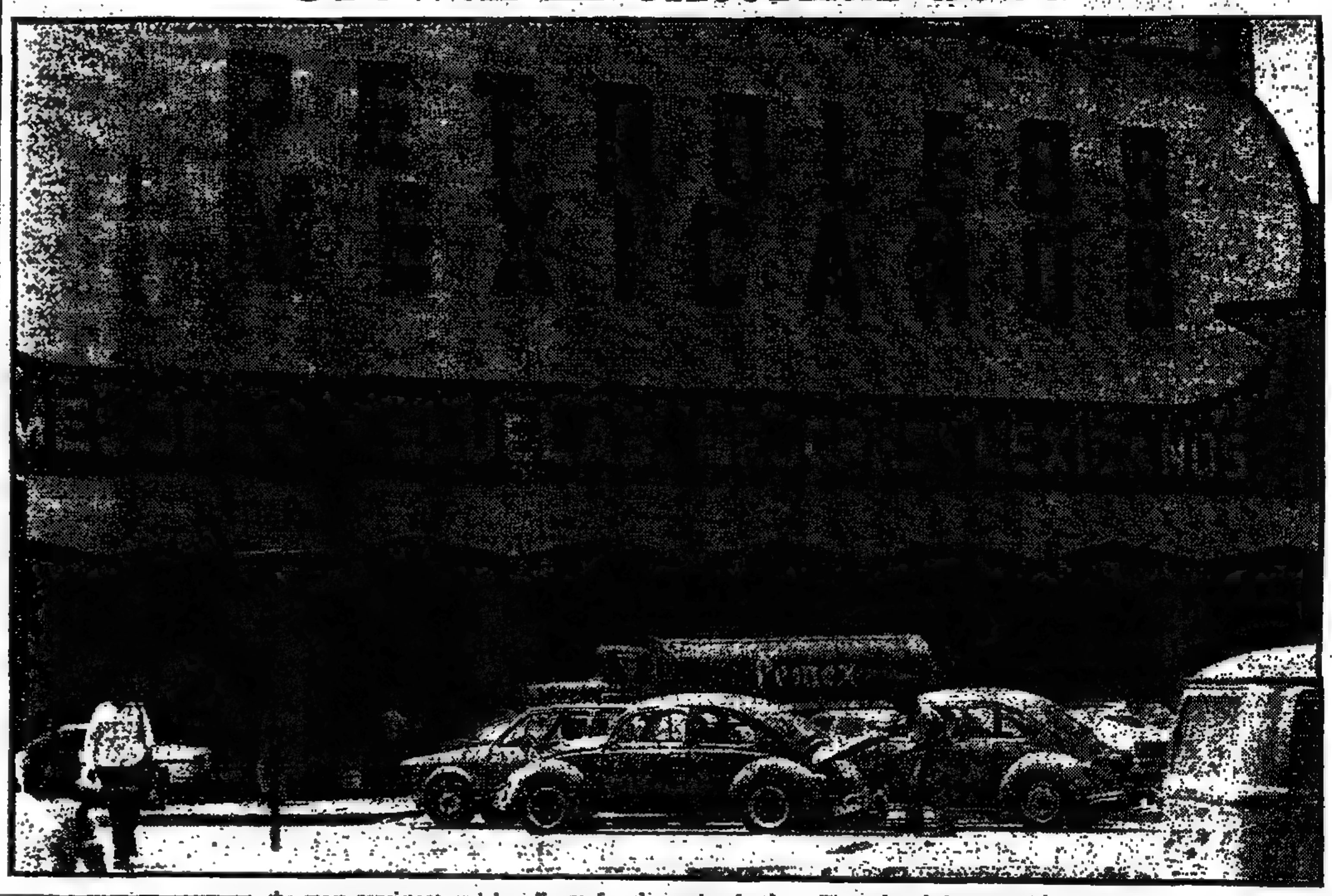
He says that the country is in the grip of demand-pull inflation, a situation in which too few goods are chased by too much money, with the added threat that imported inflation—imports—are expected to rise in the second half of the year. This will send prices still higher before the end of the year.

He advocates a slowing down of the boom, allowing more time for labour training. The economy is reaching its capacity ceiling and in May manufacturing was running at 90.4 per cent.

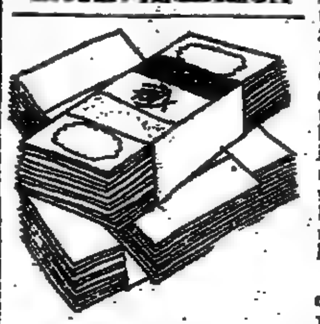
Business firms and producers are finding themselves in strong competition for the available skilled labour and the resultant wage/price spiral is highly inflationary.

Ray Kennedy

Growth in external debt



LATIN AMERICA



Individual imbalances and distortions are more prevalent in Latin American economies than in those of any other part of the developing world. This makes general observations and comparisons difficult. The overriding factor, however, is the acceleration during the past two decades of the external public debt which has risen from a mere \$7,200m in 1960 to approximately \$130,000m last year. If the rapidly increasing private sector financing is added to this, the total debt for the region is probably now between \$170,000m and possibly as much as \$200,000m. Just over 80 per cent of this amount is owed by seven countries—Argentina, Brazil, Chile, Colombia, Mexico, Peru and Venezuela—which also account for nearly 90 per cent of the gross national product and 84 per cent of the population of the region.

Of these countries, Brazil has by far and away been the most consistent and largest borrower. Its total debt today stands at more than \$55,000m, equivalent to 22 per cent of the gnp, and considerable anxiety is being expressed by international monetary agencies and the banking communities over its ability to continue loan repayments. Some economists claim that there may be possible intervention by the IMF but this is denied by official Brazilian sources.

The latest annual report of the Inter-American Development Bank (IDB) comments on the greater reliance on private institutions to finance repayments by Latin American countries, particularly Brazil. This has followed the upward trend in the relationship between public debt and gnp. The most significant deterioration has been in the maturities profile. More than 59 per cent of public debts are due for repayment in five years. Top of the debtors list is Mexico with 75 per cent, followed by Chile (64 per cent), Peru (62 per cent), Brazil and Venezuela (60 per cent each).

The extent of private funding has increased dramatically in proportion to the rapid deterioration of the maturity profile as countries have found it more difficult to obtain public loans overseas, especially on a bilateral basis. Brazil's, Mexico's and Venezuela's share of debts to banks increased sevenfold between 1966 and 1978. Mexico's share in 1978 was 69 per cent. The overall figure for the region in the same year was the huge figure of 48 per cent.

The IDB states that private banks are unlikely to be able to continue increasing the net flow of funds or to improve interest and maturity conditions. It gives a clear warning to Latin American debtors that private banks will become more restrictive and selective in granting loans. It suggests that in future they will advance only enough finance to cover repayments on loans granted earlier.

This will not worry the oil-rich countries, especially Mexico, which has more than ample funds to cover itself. During the past 12 months, Mexico has rapidly improved its economic status through continued discoveries of oil reserves. These are now the sixth largest in the world. The latest figures put production at 2,300,000 barrels a day. Total reserves are more than 60,000 million barrels—enough to provide Mexico's energy needs well into the second half of the century. Oil revenues are running at more than \$9,000m, three quarters of which come from exports.

As part of the plan announced this summer, Mexico and Venezuela (the second largest oil producer of the region) have combined to provide 160,000 barrels a day of oil for some of the non-oil producers in Latin America and the Caribbean. Proved reserves in Venezuela are this year expected to be at least 19,000 million barrels.

The other bright spot on the oil scene in the region is in Argentina, which hopes to reach self-sufficiency within the next 12 months or so. Last year oil production reached a record 167 million barrels. Exploration and development of oil production is going through a period of rapid expansion after a change in legislation which allows foreign participation. Argentina is also planning substantial investments, said to be more than \$44,000m, to develop its electrical supply industry.

One of the main causes for concern about the economic future of Brazil and its ability to service its debts is its lack of hydrocarbon resources, especially oil. Of all the Latin American countries, Brazil was hardest hit by the oil crisis of the mid-1970s just after a period of heady expansion when it claimed one of the highest gnps in the world—nearly 12 per cent, higher than Japan.

Brazil, with a population of 130 million, has few oil resources of its own and in spite of intensified exploration has so far failed to identify any big finds. It has, however, substantial coal reserves, and is turning its attention to developing its sugar alcohol industry as an alternative source of energy. According to Señor Delfim Netto, Brazil's planning minister, who was in London earlier this month, the oil substitution industry is to be given maximum priority in the next five years, so as to reduce the oil import bill at present running at half the value of its total exports, some \$10,000m.

By 1984 he hoped they would be producing 170,000 barrels a day of oil equivalent, in the form of sugar alcohol which is added at the rate of 20 per cent to refined petroleum to form "gasoil". Oil equivalent production by then will be about 500,000 barrels a day, and another 130,000 barrels, is expected to come from coal. All this will make up about half of Brazil's estimated total consumption of oil equivalents.

Although the overall growth rate of countries in the region was down to an average of 4.7 per cent between 1976 and 1978 it has "substantially surpassed the production expansion trends in the industrialized countries", the IDB states. In spite of some of the worsening trends in Latin America the IDB points out that some countries offer the industrialized nations rapidly expanding market opportunities. It emphasizes the Brandt commission's point on the interdependency of nations with the comment: "The South cannot grow adequately without the North. The North cannot prosper or improve its situation unless there is greater progress in the South".

This is perhaps nowhere truer than in the context of Latin America.

Michael Frenchman

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ouncils prepared to allenge official ans for civil defence

ter Evans
Affairs Correspondent

el local authorities are nging the Government's ion to improve civil ce. So far two council in Hackney and Lam- London, have said they do believe in it. Many other councils are said to be arm.

William Whitelaw, the Secretary, announcing Government's plans to the e of Commons on August id: "I am satisfied that Government have adequate rs to ensure that proper ards of protection are pro- throughout the country, t will naturally be our aim, the local authorities, to see this is done."

John Kotz, deputy leader e Labour-controlled bor- of Hackney, said yester- "We should not be doing defence at all. It is an ute waste of time. There o real defence against ar attack. The only ce is in the Government uing the right form of gn policy." The public was g hoodwinked, he said.

ckney spends £1,000 a year vil defence, of which three- ters is reimbursed from al government. The money for the borough adminis- r to be informed in the ect by going on courses obtaining literature, in tion to his normal duties, does not go towards his ry.

r Ted Knight, leader of the our-controlled Lambeth cil, who is also opposed to l defence, told me: "We ider civil defence is basic- a preparation for war. We e no intention of kidding ple that they can survive a lear holocaust."

r Whitelaw told the House August 7: "A great deal of l defence work must be done ocal level, and the Govern- t propose to double the ey available for this pur- e."

he local authority associa- s are being consulted about allocation of additional urces for local planning and training and the adaptation of premises by district councils to complete local authority war- time administrative head- quarters and communications.

If local authorities refuse to cooperate, Mr Whitelaw can take action under the Civil Defence Act, 1948. Civil defence regulations introduced in 1949 say that if the Home Secretary or his designated minister is satisfied that a local authority has failed to dis- charge its civil defence func- tions, he may empower himself or someone else to discharge them in the name of, and at the expense of, the defaulting authority.

Action has been taken under the regulations in the past. On July 24, 1954, Sir David Maxwell Fyfe, then Home Sec- retary, told Coventry council that the city's civil defence functions were to be trans- ferred to three commissioners.

Coventry's opinion then was the same as that now of Mr Knight and Mr Kotz, that because of the devastating effect of a hydrogen bomb the continuation of civil defence was a waste of time and public money.

Like Mr Kotz now, St Pancras Borough Council, in May, 1957, said that civil defence was a cruel deception of the people. The council decided to end civil defence provisions and the Home Secretary and the Min- ister of Housing and Local Government appointed an official to do the job at the council's expense.

Mr Knight told me yesterday that Lambeth had no civil defence plans and no intention of having any. Asked what the council would do if the Home Secretary intervened under the 1948 Act, Mr Knight said that if Mr Whitelaw had a legal right, he could do it, but "they would find us refusing to cooperate with what they imposed".

The council could use the opportunity to expose the failure of the Government to meet people's day-to-day social needs. The Government had cut back on what was absolutely essential, Mr Knight said.

Atom shelter planned to house 250 people

By John Witherow

Doomwatchers may soon be able to seek refuge from an impending nuclear war by rent- ing space in a luxurious under- ground shelter which can house up to 250 people.

Mr John Emin, a builder in south London, has drawn up plans for a shelter near Bal- combe, Sussex, costing £300,000. It includes proposals for a hos- pital complete with operating theatre.

If the plans are approved by the Mid Sussex District Coun- cil, Mr Emin, aged 36, intends to sell each space for about £1,000 and then charge an annual rent of between £300 and £500.

He advertised the shelter at the beginning of the year and received about 200 inquiries. Eighteen people have said they would buy the accommodation.

Mr Emin said: "I am really setting up a type of insurance service. A lot of people are concerned that there is no- where to go if there is a nuclear attack."

Starting next year, he in- tends to build the shelter in three stages over a four-year period. It will stretch 20 feet below an orchard and will be protected by three foot thick reinforced concrete walls. It will cover 4,000 sq ft on two levels and include small cabins hous- ing up to nine people, a recrea- tion room, lavatories and store rooms.

The only part of the shelter above ground will be a garage, which will house the main generator and air intake equip- ment.

A structural engineer de- signed the shelter, and Mr Emin believes it is an improve- ment on Swiss-designed models, considered by many to be the leaders in defence against nuclear attack.

If the scheme is successful he hopes to secure a govern- ment grant for the hospital, and may then set up a com- mittee to select people for places.

Photograph by Dennis

Plaid Cymru demonstrators outside Parliament yesterday when they called on the Government "to keep the solemn promise made by Queen Elizabeth when she opened Parliament in June, 1979, that a television channel for the Welsh language would be set up".

Scientific snobbery 'may be depriving industry of great deal of benefit'

From Pearce Wright
Science Editor
Salford

The question whether the tax- payer is getting value for the money spent on basic scientific research was the kernel of the presidential address given by Sir Frederick Dainton, FRS, at the opening ceremony yesterday of the annual meeting, at Sal- ford University, of the British Association for the Advance- ment of Science.

Whilst not doubting the quality of scientific manpower in Britain, he questioned the cost to Britain of what he calls scientific snobbery. Sir Frede- rick said: "It could be argued that we in Britain, in this century at least, paid a high price for this kind of snobbery, which has deprived manufactur- ing industry of some of the talent from which it could have benefitted, a deprivation which countries with different social climes have not experienced.

"This is one aspect of our present national crisis to which more thought needs to be given."

His subsequent analysis of the position listed some of the changes needed in research, education and attitudes if the defects are to be eradicated. It is essential, in his view, to acknowledge and understand the fundamental link between natural science on the one hand and technology on the other.

The issues become obscure because the field of knowledge covered by science is now so vast as to defy comprehension by a single human mind. There- fore it has to be subdivided. There are at last two ways of doing that, but neither is entirely satisfactory.

There is a broad division into natural science, engineering and technology, each with its many subdivisions called sub- jects. Alternatively, scientific activity can be classified according to its relevance to social need.

Engineering and technology, while both making use of scien- tific laws, require that these shall be applied so that the pro- cess or product is efficient and in very many cases is pleasant to handle and to look upon as well. The creation of that pleasing result is called design.

Sir Frederick said: "It seems to me, in Britain we have given less attention to this in the education of our engineers and technologists than we ought. Furthermore, engineering and technological practice requires the ability to work well with people as well as machines.

"The engineer and tech- nologist who leads or manages men must therefore know about the interaction of men and machines (the study of ergono- mics) and those behavioural sciences involved in manage- ment.

"We have been laggards in these aspects of the education of applied scientists. If the pure or natural scientist in his work need have less regard to design and to the human factors, because he is pre- occupied with concepts and theories, this provides no grounds for claiming that his work is somehow intellectually superior to that of the engineer or technologist."

We had paid a high price for that kind of scientific snobbery.

Pure and applied science are forever linked symbiotically, in Sir Frederick's view. But before pursuing arguments about the type of changes needed for meeting the obligations of science to society, he asked, "Why do scientists do science?"

The cynic might say, "Because they enjoy doing it and have conned a gullible pay- master". He said there was truth in that, but it was too simple an answer to be wholly adequate in a modern indus- trial society.

The scientist knows, if only intuitively, that in gratifying his curiosity or making some- thing work he is satisfying a basic human instinct and that in grappling with a problem he is learning something about himself, his powers and limita- tions and his place in the physical and living world around him.

In short, it helps him to identify himself. That instinct for self-identification is similar to that which impels artists, musicians and writers.

At that point the similarity of scientist and non-scientist is replaced by a divergence.

The realization that science is a great multiplier of an indi- vidual's intellect, enabling him to be the master nor the slave of his environment, is a great incentive to engage in science.

Science affects mankind in deeper ways than just multiply- ing his personal power. It affects the ideas by which we live and the pace at which new ideas gain acceptance. He took two inventions, the printing press and the oral contracep- tive, to illustrate the argument.

He said: "It is not fanciful to maintain that Martin Luther's attempt to reform a church given to abuses succeeded where the earlier John Huss, John Wycliffe, the Albigensians and the Waldensians had failed, because he came after the in- vention of the printing press."

Similarly he asked "whether communism or oral contracep- tion has been the more effective disintegrator of the idea of the importance of the nuclear family, or whether the verdict of history will be that the cor- rosive idea of racial inequality was destroyed more by the acceptance of the evolutionary idea of the descent of man than by religious or political belief".

Fountain Trust to close

An interdenominational move- ment set up 16 years ago to initiate "charismatic renewal" within churches is to cease operating at the end of the year.

The Fountain Trust, based at East Molesey, Surrey, denied yesterday that its closure had anything to do with financial difficulties, although it expects only to break even at the end of its financial year on Sep- tember 30.

The Rev Michael Barling, who took over as director of the trust a year ago intending to prune the operation and analyse its affairs, said: "The whole thing has been under the microscope. I am very sur- prised, as is everyone else, at how quickly the thing has happened."

Mr Barling said the trust's expenses had gone up consider- ably but donations had not in- creased proportionally. Finances had been a contributory factor in making the decision.

He added that the executive and trustees had made the deci- sion unanimously and hoped it would not mean the end of "renewal", but that it would find new expression.

Six full-time workers and three part-time staff will be made redundant and several large conferences, which were a hallmark of the trust's cam- paign, have been cancelled. Instead there will be smaller scale events.

Mr Barling said there had been a feeling for some time that "renewal", which the trust had helped to give birth to, was now established and the unanimous view was that it was God's will that the trust should close.

The trust was formed to re- discover what it thought were certain neglected aspects of the Holy Spirit, especially gifts such as healing and prophecy, was funded by gifts and donations and the income from confer- ences and book sales.

Farnborough cover-up as Russian delegation arrives with cameras

m Arthur Reed
Correspondent
rnborough

After rejecting an invitation the Society of British Aero- ace Companies to mount a ll-scale exhibit, the Russians rprised the Farnborough Air ow yesterday by sending a -man delegation of "observ- s".

Displaying their entry passes, e Soviet aviation experts ove into what is normally a p-secret government research tablishment and proceeded apply their cameras and tape corders to the latest products Western aerospace tech- logy.

The British, West Germans d Italians hurried to close e cockpits of the Tornado, eir highly confidential joint hter-bomber, while the mericans shut off access to e wide range of their latest iation technology which they ve on display, the F-15, the 16 and F-18 fighters and the 10 battlefield "tank busters".

Exhibitors saw no real reason extend the usual politeness the Russian delegation, as ey were assumed to be esent not to buy but to noop".

A Chinese delegation of about received a better welcome, d later this week are to be nducted round various British d French aerospace factories the assumption that in the g term they will buy pro- cts ranging from missiles to e European Airbus, from the arrier vertical take-off fighter British helicopters.

Even greater respect is being own to a delegation from the panese aircraft industry, on e grounds that they are the eople with real money to pend on collaborative projects, nd with the urge to learn.

The Japanese are already making fuselage panels for the latest airliner projects of Boeing, the United States aero- space giant, and Mr Joseph Sutter, vice-president of opera- tions, said at Farnborough yesterday: "They are on time, and it is beautiful workman- ship".

The Japanese have also signed a deal with Rolls-Royce to develop a joint airliner engine, the RJ500.

In a review of Boeing's future projects, Mr Sutter said that the company's successful 747 jumbo jet airliner would be modified to carry 700 passeng- ers in a double-deck layout.

He expressed confidence in the future of the 757 airliner project with 195 seats. Although there were only 94 sales for the 757 so far, including 37 for British Airways, Boeing was confident that it would sell 2,000 aircraft of that type in the long term. Further sales had been held up by a recession among the United States air- lines.

British Airways has ordered a Rolls-Royce engine, the RB211-535, for its 757 airliners, but Mr Sutter made clear that Rolls-Royce would have com- petition for future sales from General Electric and Pratt and Whitney, two large United States engine manufacturers, both of which have expressed an interest in joining the pro- gramme.

Cooperation among the world's aerospace industries is beginning to emerge as a strong theme.

Fokke, the Dutch company, is anxious to collaborate with the Japanese on a new 140- passenger airliner project, the F-29, and Saab, a Swedish com- pany, and Fairchild, an Ameri- can firm, announced yesterday that they were to launch a new airliner project with 34 seats and two fuel-efficient turbo- propeller engines.

The project means more work for the British aerospace industry, now working at peak output despite the world trade recession. Dowty-Rotol, the Gloucester-based company, has been chosen to develop the propellers in a lightweight com- posite material instead of metal. That material, Saab and Fair- child said yesterday, would give better performance and reduce noise.

Westland Helicopters, a Brit- ish company, and Agusta, an Italian company, announced the formation of a new joint com- pany, EH Industries, to launch a big new helicopter project.

The new helicopter, coded the EH101, will be designed to per- form antisubmarine duties for the Royal Navy and the Italian Navy.

It will have three engines and the first prototype is due to fly in the middle 1980s with first deliveries towards the end of the decade. The two companies said yesterday that they expec- ted total sales in the first 15 years of production to reach at least 750.

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Lake District ban on lorries

Cumbria County Council has banned heavy lorries from using the Kendal to Keswick road as a short cut to west Cumbria. Lorries will have to use the M6 and the A66.

The road passes through some of the most beautiful country- side in the Lake District National Park, and for years conservationists and local people have demanded the ban.

Park's defender joins new battle

Regional report
Craig Seton
Dartmoor

Lady Sayer, the redoubtable defender of the heritage and natural beauty of Dartmoor, is preparing yet again to take on the Ministry of Defence, which owns, leased or is licensed to use nearly 33,000 acres about a seventh, of the national park's 365 square miles.

The latest battle involves the Army's plans to have a radio- active sources store and gas mask test chamber in its main camp at Okehampton, on the northern border of Dartmoor.

Compared with previous battles she has fought over firing ranges, reservoir plans, china clay developments and by-pass schemes it would appear to be small beer, but the anger is just as great.

She said yesterday: It is yet another digging in of the military in the national park. It is wrong and it is time now the Government really took these matters seriously and began to look elsewhere for this kind of training."

Lady Sayer, aged 75, after many years as its chairman is now the patron of the Dartmoor Preservation Association, which will celebrate its centenary in 1983. Her father and grand- father were also members and her name in Devon is synony- mous with Dartmoor and her attempts to preserve its natural identity, the public right of access and the defence of ancient monuments against damage.

There can be no doubt that through her efforts and the work of people who believe in her constant, sometimes mili- tant, campaigning, the associa- tion has become a force to be reckoned with. The mere mention of her name will still bring a grimace to the face of many an official.

Thirteen years ago she marched into the landing area during a mock battle involving helicopters on Dartmoor to make her protest at the en- croachment of "the military". In 1975 police were called to a meeting of the national park committee when she refused to leave.

At her home at Widecombe- in-the-Moor, in Devon, she said yesterday: "Matters are get- ting worse, not better, and it is causing a lot of anger. Dart- moor is not only for us, it is the birthright of future genera- tions. If you allow more of this encroachment, the character of Dartmoor will be permanently damaged."

She pointed out that only this year the Army had been given permission to train soldiers on a 2,000-acre site at Cramber Tor, near Plymouth, for a two-year trial period, despite objections

Live ammunition will not be used, but Lady Sayer is con- vinced that more damage will be done to an area rich in pre- historic and historic sites, some of them not yet mapped.

Conservationists are also anxiously awaiting the out- come of a long public inquiry into the proposed Okehampton by-pass. If it goes north of the town it will encroach on valu- able farming land; if it cuts south the edge of the moor will be affected.

People who know her well say that Lady Sayer is a power- ful influence on the direction of the Dartmoor national park, but feel that she is sometimes too hard on those whose job it is to marry the conflicting interests of recreation (there were 7,300,000 visits last year), conservation, farming and military use.

Her study is packed with files on campaigns of the past and the present and, no doubt, plans for the future. They include a proposal to combine with the preservation body for Exmoor to arouse the interest of the public and of Parliament in what she believes are the real and increasing threats to the two national parks.

Mr Ian Mercer, who is Dart- moor national park officer, has crossed swords with Lady Sayer more than once and readily admits that not only is her filing system "fantastic" but her knowledge of her subject is also enormous.

Britain 'ripe for Ecology Party' claim

By Our Political Staff

The Ecology Party claimed yesterday that its recent growth showed that Britain's national political climate was ripe for the new dimension in political thought that it represented.

Launching its latest pam- phlet, The Politics of Ecology, it claimed to be Britain's fastest growing political party, having experienced "pheno- menal growth" since the last general election. The 53 candi- dates it fielded then repre- sented a party with 500 members. Now it boasts 6,000 members and 250 branches.

In the local elections last May about 100 Ecology candi- dates attracted an average vote of 5.6 per cent, a figure that would give the party seats under some European systems of proportional representation.

The party claims to offer a radical alternative outside the terms of reference of the main parties, "a green revolution to bring life and vitality back to the wasteland of contemporary politics".

Among short-term objectives are a campaign for the closure of all nuclear power stations and unilateral nuclear disarma- ment; the adoption of an alter- native energy strategy; and a campaign against pollution and the "criminally irresponsible" use of chemicals in society.

The party also supports any moves to put the economy on a more sustainable basis by investigating the means of guaranteeing basic material security through a national income scheme and redistribut- ing wealth and resources, and by working to reduce the power of "vested interests" and establishing workers' coopera- tives and common ownership schemes.

Video cassette an obscene article, court rules

Pornographic Video cassettes are obscene articles for the pur- poses of the Obscene Publica- tions Act, 1959, the Court of Appeal ruled yesterday.

Lord Justice Lawton, sitting with Mr Justice Chapman and Mr Justice Boreham, decided that a judge at Knightsbridge Crown Court who directed that a video cassette was not an obscene article, as defined by the Act was wrong.

The Court of Appeal had been asked for an opinion by Sir Michael Havers, QC, the Attorney General, after three men and a company were acquitted in July of publishing an obscene article.

Lord Justice Lawton said the 1959 Act was intended to embrace any article whatsoever which could be used to show images.

It specifically referred to "any firm or other record of a picture or pictures".

He added: "If the clear words of the statute are suffi- ciently wide to cover a kind of electronic device, the fact that that particular form of device was not in the contemplation of Parliament in 1959 is an im- material consideration".

The judges' decision does not affect the acquittals in the case.

Three men and a boy remanded on murder charge

Two brothers, a third man and a boy of 16, appeared at Camberwell Magistrates' Court, London, yesterday charged with murdering Mr Kenneth Burley, aged 23, at Streatham Hill, London, last week.

Philip O'Driscoll, aged 18, and Gerald O'Driscoll, aged 21, and the boy, all of New Park Road, Streatham Hill, and Clive Thompson, aged 21, a cleaner, of Westbridge Road, Battersea, were remanded in custody until tomorrow week.

The four, with Philip Thatcher, aged 21, of New Park Road, were also charged with unlawfully fighting and making an affray. Mr Thatcher was also remanded in custody.

Army vehicles left stranded

Thirty-six British Army vehicles, due to take part in Nato's Operation Crusader 80 to test military mobility, were left stranded on Southampton quayside yesterday.

When Chieftain tanks and armoured cars were being loaded on a chartered ferry it was realized there was not enough room. The Army said the loading plan was based on information from a Danish ferry. The vehicles were sent through another port.

Britain's youngest heart transplant patient dies

By Annabel Ferriman
Health Services Correspondent

Richard Brittain, aged 16, Britain's youngest heart trans- plant patient, died at Papworth Hospital, near Cambridge, yes- terday morning, two months after receiving his new heart.

A schoolboy from Withy- brook, near Rugby, he never left hospital after the operation on June 28, and last month he developed an infection.

He is the second heart trans- plant patient to die in the past four days. Mr David Williams, a consultant obstetrician from London, died at Papworth last Friday.

The number of heart trans- plant patient deaths over the past 20 months is now eight, out of 21 operations carried out. Five have died at Papworth Hospital and three at Hare- field Hospital, in west London.

Despite predictions by British heart specialists that Britain would probably achieve the same success rates as have been achieved in the United States, the record is not turn- ing out so well. Success rates at the Stanford Medical Center, California, are 65 per cent still living after one year and 50 per cent after five years.

The heart transplant pro- gramme at the two British hos- pitals will not be interrupted, however. Each hospital hopes to carry out about 12 trans- plants a year, at a cost of about £17,500 each.

A spokesman for Papworth Hospital said he knew of no proposals to change the present plan, which was that the opera- tions would continue. It was the hospital's policy to work according to the guidelines issued in March by Mr Patrick Jenkin, Secretary of State for Social Services, when he announced a grant of £100,000 to Papworth to improve its operating theatre and intensive care unit.

Mr Jenkin said then that he had been advised by the Trans- plant Advisory Panel that a programme of at least eight transplants a year should be carried out at suitable centres. Fewer would mean that the results would be too few to evaluate.

A spokesman for Harefield Hospital, where nine transplant operations have been carried out, said: "I do not think there have been enough transplant operations in this country yet to make any kind of judgment of their value.

"The risk that a patient might die is accepted by the surgeons and the heart team. It is not a reason for stopping. By going on, the surgeons will stand more chance of getting people through in the future."

Treasurer of old people's club stole £5,305

Derek Allen Tinson, the treasurer of an old people's club, kept more than £5,000 meant for a club holiday, but the old people who travelled by coach to a resort only to find their holiday had not been booked asked yesterday for leniency for him. He was jailed for 12 months.

Mr Tinson was said to have given himself up three days after 50 old people had made the fruitless journey to a Somerset resort. He had £3,100 of the stolen money in his briefcase.

Mr Tinson, aged 49, of Gipsy Road, Norwood, south London, pleaded guilty at Inner London Crown Court to stealing £5,305.50 belonging to the Emmanuel Over 60s Club, of St Matthew's Church Hall, Clive Road, Norwood.

Mr C. Pratt, defending, said there were two petitions before the court, one from the committee of the club and another from the members, in which they asked for leniency.

Newspaper publicity over their plight brought in public donations which totalled £600 more than the amount stolen and the club members had their holiday later.

Kidnap lorry destroyed by IRA booby trap bomb

From Christopher Thomas
Belfast

A Provisional IRA boobytrap bomb yesterday blew to pieces the milk lorry from which a police reservist was seized by terrorists in south Armagh on Sunday morning. No one was hurt.

There was still no sign of Mr Wallace Allen yesterday despite a search covering 25 square miles on both sides of the border around Newtownhamil- ton, just inside Ulster. The RUC and Garda used heli- copters and dogs.

Troops had been cautious of the lorry, as it was discovered with its windscreen smashed and the cab stained with blood about a mile from Newtown- hamilton. The IRA said Mr Allen, aged 49, was being interrogated.

The lorry was loaded with milk churns which Mr Allen, milk churns, which Mr Allen, an RC reservist since 1974, had collected in a "sideline" occu- pation. Soldiers had left the vehicle where it was discovered.

A bomb disposal officer was inspectin gthe containers by re- mote control shortly before 4 am yesterday when the bomb hidden in one or more of the containers, went off.

The seizure of Mr Allen came at a time when Protest- ant paramilitary forces have shown signs of increasing their activities.

For some time the declared policy of the Ulster Defence Association, the main "loyal- ist" paramilitary group, of killing known republicans ap- peared to be in abeyance. But there have been several mur- ders this year for which Pro- testant groups are almost cer- tainly responsible.

It is feared that the kidnap- ping of Mr Allen, especially if he is discovered dead, will in- flame intercommunity tensions and set off a train of retaliatory terrorism.

Mr Allen, an inspector with the Department of the Environ- ment, is a close neighbour of Mr Seamus Mallon, deputy leader of the Social Democratic and Labour Party, who is offer- ing to mediate for his release. Church leaders of all the main denominations have appealed for his safe return.

Mr Allen's son, Kenneth, aged 22, said yesterday: "We are urging that the appeal of church leaders and Mr Seamus Mallon, which we appreciate very much, should be heard by the people who have kidnapped my father, and that there should be no retaliation of any kind".

£2m of heroin and cocaine seized in customs raids

Drugs with a total street value of more than £2m were seized by customs and excise officers in two raids last week- end.

In one operation, codenamed Can Opener, investigators searched houses at Nunhead, Peckham, Lewisham and Thamesmead, London, and detained five men while seizing a quarter of a kilogram of heroin.

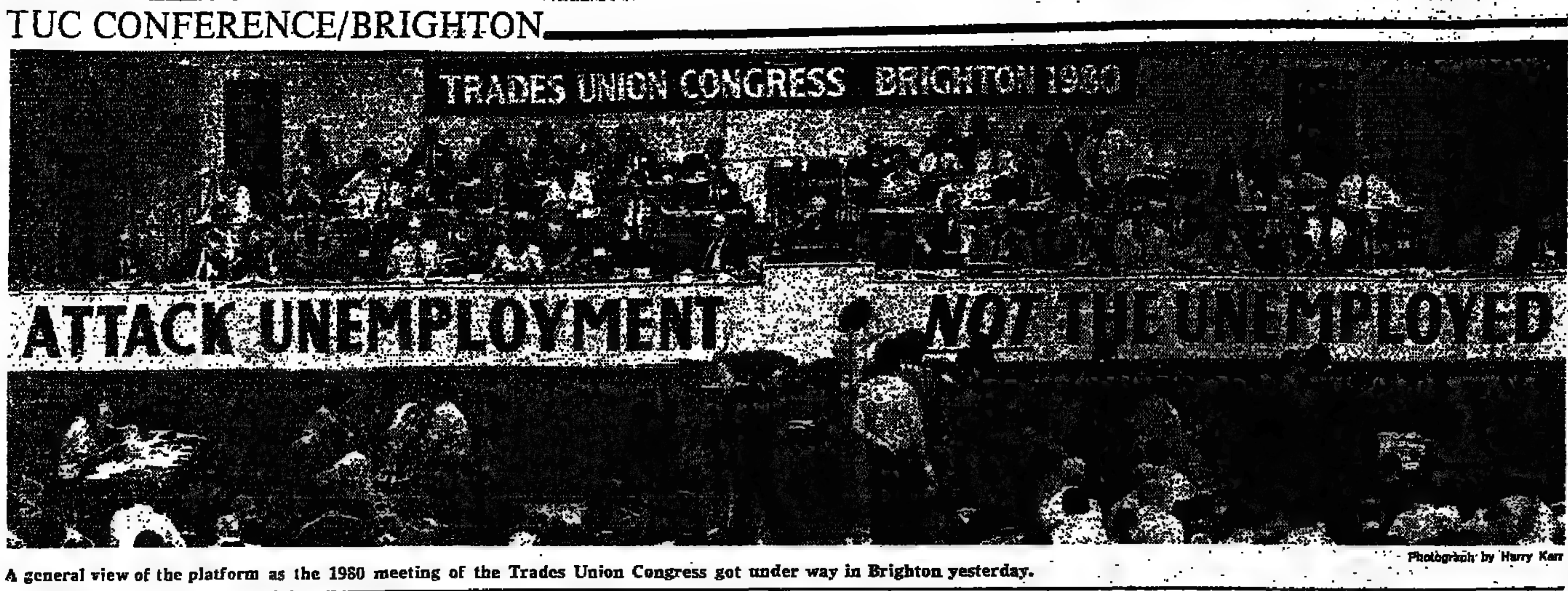
Earlier at Dover 6½ kg of heroin was found in a Rover car which arrived from Ostend. The total street value of the heroin is about £1.5m

One man was charged with smuggling and at Clerkenwell Magistrates' Court, London, was remanded in custody for a week.

In the second operation officers intercepted two pas- sengers arriving at Heathrow airport, London, from Rio de Janeiro via Madrid, and each carried about 2 kg of cocaine. They were arrested, and after inquiries three men were detained at a west London hotel and a further 2 kg of cocaine was found.

Customs officers said one of the men attempted to escape by jumping from a second-floor window at the hotel. He was injured and is in hospital under guard. The street value of the seized cocaine is about £600,000.

The raids in south London are thought to have smashed a Turkish drug ring that was planning to cash in on the increased demand for heroin in Britain. The seizure at Dover and in a house in south London involved the biggest quantity of the drug found in one opera- tion in Britain this year.



Photograph by Harry Kerr

A general view of the platform as the 1980 meeting of the Trades Union Congress got under way in Brighton yesterday.

Unions set for big non-cooperation campaign against 'dishonest and devious' Employment Act

The Employment Act was a devious and dishonest piece of legislation, Mr Harry Urwin, chairman of the employment, policy and organization committee, said when he opened a debate on the Act.

He said they had on one hand "plunder woman" trying to destroy a large part of British industry while sapping the moral of the working people through large-scale unemployment, and on the other hand, the Employment Act, extended by codes of practice, designed not only to weaken the strength of the trade unions, but particularly to undermine the position of those people in work with the least bargaining power in their particular sections.

The policies were similar to those between 1925 and 1930. The then Chancellor of the Exchequer, Winston Churchill, applied monetarist economic policies by linking sterling to the gold standard. At the same time, the Government introduced the notorious Trades Dispute and Trade Union Act to undermine the movement's bargaining power. It was designed to weaken by splitting the Civil Service unions from the TUC, by splitting TUC unions from the Labour Party, and by splitting the stronger unions from the weaker ones.

Now they were back to the political pygmies, Mr Urwin said. They had Mrs Margaret Thatcher whose lip curled when the TUC was mentioned. She said that more would follow the Employment Act. Sir Keith Joseph was in charge of industrial strategy and said that the unions were one of the poisons in society.

The Employment Act, 1980, had been put forward as a fairly modest Bill to improve industrial relations. But it was a devious, dishonest piece of legislation, he said. It included codes of practice which in effect, could be extended at any time to make the Act more damaging and vindictive. It purported to deal with the bully boys, but the more the Act was examined the more they could see that the people damaged most were those with the weakest bargaining power in society.

Protection against unfair dismissal had been removed from hundreds of thousands of people. The only way they could get protection was through industrial action.

With provisions on secondary action picketing, it was the weak who were made weaker. During the first six months of this year, more people had been arrested for picketing and charged, than in any period in the past 50 years. These were the people who, in the main, had never been involved in an industrial dispute before.

The TUC would work to seek to deflect the Government from its policies.

Mr Glynn Lloyd, of the Union of Construction, Allied Trades and Technicians, moved a composite motion deploring government policies in industrial relations. It expressed outright rejection of the provisions of the Employment Act, 1980, which removed traditional trade union rights, weakened the rights of individual workers, and attacked the employment conditions of working women.

Those provisions were intended to weaken unions, to facilitate the implementation of callous economic policies which had as their basis large-scale unemployment, and to reduce the living standards of most of the population.

It deplored the singling out of journalists or other groups of workers for special restriction by the Government in the code of practice drawn up under the Employment Act.

It called on the council to mount a sustained and vigorous campaign of non-cooperation with the Government, including, if necessary, industrial action.

It demanded the repeal of the law by the next Labour Government and the introduction of fresh employment legislation which provided at least the protection available for unions and their members prior to the election of the Conservative Government.

The motion was carried with none against and only a few hands raised in abstention.

Mr Lloyd said the Act was designed to undermine collective rights which were fundamental to the existence of the union movement. Not content with bringing unemployment to levels which rivalled the 1930s and raising inflation to rates almost unprecedented, the Government was seeking to shackle the union movement, to reduce living standards, and to reduce improvements to the individual provided by the last government.

The Conservatives could not understand that the union movement was based on popular support and could not respond positively to union activities.

The unions must ensure in future that the Government sought the cooperation and support of the TUC. They must ensure the Government understood their unrelenting opposition to its policies and the law that had been introduced.

Mr Arthur Scargill, of the National Union of Mineworkers, said the delegates should be under no illusion. The Conservative Government had declared war on the trade union movement.

The 1980 Act was a rerun of the 1971 Act which had brought together so many in opposition. This one was presented in a more subtle fashion and the propaganda experts from the biased news media had suggested that the "wets", led by Mr James Prior, were trying to preserve the freedoms which trade unionists held dear while there were hawks who could impose severe legislation. Those experts should be prosecuted under the Trade Descriptions Act for deception (laughter and cheers).

The Act took away rights accepted certainly since 1906. It blatantly discriminated. A man or woman who was not a trade unionist had a right to sue for damages while a member was denied that right if refused employment because he or she happened to be a trade union member. Nothing could be more discriminatory.

"No longer shall we have rights we have come to accept, of a closed shop or 100 per cent trade unionism. If they introduce non-unionists into the mining industry, we shall stop work the next day."

He reminded them that Chief Constables had told a Commons select committee that they saw the imposition of the Act as a big obstacle in their job. "We are rapidly in danger of reaching a position where our police force becomes a paramilitary police force to deal with what has been a normal industrial relations situation."

The Act has been brought in to implement the operation of the anti working-class policies of the present Government. How could anyone in a so-called civilized society justify an Act which prevents a man or woman approaching another man or woman and asking him or her to support their cause? The Act did that.

"All our freedoms and laws have been won as a result of people who, when conscience dictated, have been prepared to defy existing law. We would not be meeting here today if our forefathers had not been prepared to defy existing laws" (Cheers).

They should show determination and unity of purpose to defeat the Act and force an early general election.

Mr John Morton, general secretary of the Musicians' Union, said it had had some difficulty over the definition of a place of work. In one case it had been restricted to three pickets but had resolved that by inventing a new category of picket's friend.

The only difference was that they did not wear the overall and armband of the picket.

Mr Owen O'Brien, general secretary of the National Society of Operative Printers, Graphical and Media Personnel (Natsopa) said that a motion would not deter the Government from its intent to smash the power of British trade unions. That would come about only by action on the shop floor, by showing determination that they would not allow the Government to put back the clock.

He called for a sustained and vigorous campaign of non-cooperation, including industrial action.

Mr Terence Parry, president of congress, commented that it was a picture different from that given to those listening to the radio or reading the newspapers that morning, who were told that a number of senior trade unionists were in favour of the Employment Act.

Leading article, page 13

Photograph by Harry Kerr

Mr Arthur Scargill: "The Tories have declared war."

NUR chief urges action to cut competition

There ought to be no more than 20 unions in Britain organized within the framework of congress with its headquarters in London, leading 12 million workers Mr Sidney Weighell, general secretary of the National Union of Railwaymen, said.

Then no government would dare not to meet unions which would have the power to sit in front of governments and to exert influence on economic, social and international questions. The movement was no more rationally organized today than it was 50 years ago. Unions were competing, blue collar, white collar and general unions creating white-collar sections which generated more competition.

"The disturbing feature is that it weakens our power and saps our strength. It retards the progress of our people. One of the biggest single obstacles to change in Britain is this movement."

Mr Weighell had moved a motion which instructed the TUC General Council to take steps to reduce the number of competing unions in the same industry. It was carried by an overwhelming majority.

Mr William Keys, general secretary of the Society of Graphical and Allied Trades, said he commended the motion but not Mr Weighell's interpretation of it.

New technology was obliterating demarcation lines between unions. Much of the energy of the unions was being dissipated in arguing among themselves.

The printing industry once had 16 competing unions, he said. Now there were four and they still argued about demarcation arising from new technology. They should be directing their attention to speaking with one voice in the industry.

Mr Len Murray, general secretary, said they should recognize the need for rationalizations and reductions in the number of unions.

Mr Benn should have quit, ex-minister says

From Michael Hatfield
Political Reporter

Labour's bitter internal feud flared again last night when Mr Wedgwood Benn was sharply criticized by a former Cabinet colleague.

Mrs Shirley Williams, who lost her parliamentary seat at the last general election, said she did not deny his integrity. "But I do say this: I really do believe that if you have the concept of collective Cabinet responsibility you should either stick solidly with the consequences or get out."

Her comments were made at a TUC fringe meeting organized by the centre-right Campaign for Labour Victory. At another hotel on the Brighton seafront Mr Benn was addressing a meeting organized by the left-wing Rank and File Mobilizing Committee for Labour Democracy.

Both were being billed as intended to win over trade union votes for the Labour clash over internal constitutional issues that will dominate the party conference next month.

Mrs Williams said that you cannot take both the "bread and the biscuit", sit in government and then not support the policies you do not like.

Mr Benn told his meeting that the Campaign for Democracy was not directed against individuals. It had nothing to do with personalities. "It is about integrity and credibility in politics."

The campaign for greater democracy within the Labour Party would continue until it succeeded, however long it took, he said. Mr Benn said the events in Poland had indicated the desire for democracy by the trades union movement in Poland and had been helpful to the unions' cause. It indicated that it was not only in Britain that people wanted to control the leaders and not have their leaders control them.

Mr Benn argued that the campaign for greater democracy in the Labour Party would strengthen parliamentary democracy. The Labour Party could defeat the Conservatives and win the next election only if it said what it meant and meant what it said.

Mrs Williams shared her platform with her two colleagues in the so-called "gang of three", Mr William Rodgers and Dr David Owen.

They were accompanied by Mr Terence Duffy, president of the Amalgamated Union of Engineering Workers, whose union vote will be crucial at the party conference.

Mr Rogers gave a dire warning that if the Labour Party returned to a unilateralist position on defence, it would turn away Labour voters and wreck the chance of the party's return to power.

Dr Owen set out the issues that faced the party: control over drawing up the general election manifesto; election of the leader of the party; the reselection of Labour MPs by their constituency parties; defence; and Europe.

He said, the issues had been forced on the party as part of a deliberate, systematic and coordinated attempt to shift the axis of power within the party decisively towards the views of a small but vocal and active section of left opinion. "They are entitled to do so," Dr Owen said. "We are also entitled and we must start fighting back."

Conference hears call for urgent review of finances

Reports by John Winder, Bernard Withers and Geoffrey Browning, of our Parliamentary Staff.

The TUC should at least examine the idea that the congress should lay down minimum levels of union contributions, Mr David Basnett, general secretary of the General and Municipal Workers Union, said.

He moved a motion asking the general council, as a matter of urgency, to review union finances, contributions, benefits, services, and communications, particularly with a view to making coordinated use of micro-electronic applications and related communications technology.

Mr Basnett said that although the main effect of the Government's economic policies was to create levels of joblessness unprecedented since the 1930s, a calculated side-effect of unemployment was to rob unions of membership and revenue.

The law, through the iniquitous Employment Act, did the same by weakening the closed shop to encourage non-unionism, depriving them of members and of income, and by exposing union funds to attacks through the courts and immersing them in legal costs.

But the movement had contributed to the crisis facing it by neglecting opportunities for cooperation, by excessive competition for members and by notions of independence which did justice to a nineteenth-century mill owner.

They could make better use of their officers instead of wasting resources by excessive duplication. Contributions stood, in real terms, at just over one third of what they had been in 1938.

The motion, which was passed by a large majority, was seconded by Mr Alan Meadows of the Banking, Insurance and Finance Union. He emphasized the part of the motion calling for improved inter-union communication. He said it might be necessary to centralize records, although that would present some difficulties.

Consultation plea by Actors' Equity is agreed

A motion calling for consultation with other unions whose members may be affected detrimentally before a union embarks on industrial action was agreed after being commended by Mr Len Murray, general secretary, on behalf of the General Council.

Mr Peter Plouviez, general secretary of Actors' Equity, moving the motion, said that his organization was not suggesting that unions should be inhibited from taking whatever action they felt necessary to defend the interests of their members. On the contrary, it suggested that consultation could strengthen a union in dispute.

Members should not be faced with strikes by other unions to their detriment without warning, finding out about the action, for instance, only through the press.

The motion was agreed on a show of hands.

Jobcentre staff told to 'black' survey

By David Felton
Labour Reporter

A Civil Service union has instructed its members in Jobcentres to "black" a survey on ways of cutting staff in the employment service.

One option being studied is to abolish the requirement for unemployed people to register for employment. The Society of Civil and Public Servants, which has 105,000 members, says more than 5,000 jobs in Jobcentres and employment offices would be lost if that was introduced.

At present people claiming unemployment benefit have to register at a Jobcentre for employment, and the union said yesterday that another option being considered by the Manpower Services Commission was to exempt unemployed claimants from registering for work for four weeks.

The survey, which is being undertaken in 100 Jobcentres around the country, is due to start next Monday, but the union said yesterday that it hoped the threatened blacking would stop it.

Mr Christopher Easterling, national officer of the union, said: "Our protests to the Manpower Services Commission about the secret way the study is taking place have fallen on deaf ears, so we have no alternative but to oppose the study by direct action.

"The Government are using the study as a means to decimate the employment guidance services provided by Jobcentres. By not registering for employment many unemployed people will be unaware of the services that are available to them," Mr Easterling said.

Delegates reject move for transfer charges

The "Bridlington" machinery for inter-union transfers was being used to prevent rather than to regulate movement of trade unionists between unions, Mr Norman Hitchen, of the Transport Salaried Staffs' Association, said.

He was moving a motion asking the conference to agree that refusal to transfer a member to another union which was a party to the appropriate negotiating machinery on the ground that the member's original union could cater should be deemed invalid within the Bridlington principles.

If members wished, he said, they should be free to transfer to another union which was a party to the same negotiating machinery. The association wanted to ensure that legitimate applications for transfer to another union should not automatically be blocked under the Bridlington principles.

Mr Len Murray, TUC general secretary, opposed the motion which, he said, had nothing to do with natural justice, but much to do with destabilizing industrial relations. The association was seeking to prevent a union which was party to negotiating machinery from objecting to the transfer of its members to another union, also party to that machinery. It would overturn the decisions of the disputes committee, he maintained.

The motion was rejected on a show of hands.

Government 'wants to weaken movement'

The trade union movement had a big contribution to make in overcoming Britain's problems, but, instead of harnessing the movement to a joint endeavour to cure the national ills, the Government had repeatedly turned away from the hand the movement had held out to it, Mr Terence Parry, general secretary of the fire brigades union, said in his presidential address at the opening session of the conference at Brighton yesterday.

Worse than that, instead of drawing on the strength of the trade union movement, the Government sought to weaken and belittle the movement. He said the most obvious embodiment of the Government's hostility to trade unions was the Employment Act which posed an insidious threat to the fabric of trade unionism.

The limitations it imposed on peaceful picketing and on union organization and recruitment were designed to sap the ability of the unions to resist the cruel logic of the Government's economic policies, he said.

He added that the Government was systematically taking away freedoms while trumpeting hypocritically about individual liberties. The Act would cause nothing but trouble. It was imperative that the movement should maintain unity and solidarity in meeting that squalid attack. "Of one thing we can be sure. This Act, like the Government that spawned it, will have its time and then it will go. When that time comes this movement will still be here, stronger than ever."

Immediate steps should be taken to alleviate the appalling levels of unemployment. The grim images of the 1930s that the conference had summoned up last year had turned into horrifying reality.

There was nothing exclusive about the ever-lengthening dole queues. They included men, women, young, old, black, white, the skilled as well as the unskilled. For many school-leavers the sound of the school gate closing behind them for the last time must ring in their ears like the clanging of the door of a prison cell as they entered a world in which they were closed away from the dreams they had had for the future.

Sentences in the prison of unemployment were getting longer and longer. There were now more than 340,000 people who had been unemployed for a year or more. Where there was suffering the Government seemed intent on making it worse and labelling the unemployed as some sort of social criminals.

"But this is a topsy-turvey world we live in, with a system of justice turned on its head, for there is no crime committed by being out of work. The crime is committed by those who have condemned innocent people to the indignity of unemployment, and I charge this Government with that most heinous of offences. Its policies are directly causing this anguish in our society."

The energy wealth in the North Sea could be deployed to regenerate manufacturing industries. Public services could be expanded to provide jobs and a richer quality of life. The silicon chip could be put at the service of industries to improve competitiveness in world markets.

The TUC General Council had put forward detailed proposals for a crash programme of special employment and training measures, but, instead of coherent action, all that had been heard from the Government were confused and confusing mutterings about voluntary schemes, with veiled suggestions about loss of benefits for those who refused to take part. Forced-labour schemes could never be acceptable to the congress, Mr Parry said.

"The other response the Government makes to crisis is, predictably, to blame the unions for trying to protect the standards of living of their members". It would not succeed in making the unions the scapegoats for its neglect and for its policies of closures and redundancies through cash limits. "Mrs Thatcher and her ministers want to bewitch the people by conjuring up the illusion that there is no alternative to the course on which we are set. This week we must break the spell she is seeking to cast".

There was momentous work for the congress to do during its week at Brighton. "In our debates this week, we must reaffirm our unity and determination and we must kindle a fire that will set light to the imagination of all the British people so that they can share our vision of the kind of society we should be building".

Mr Ron Sprahan, of the National Union of Seamen, moving a vote of thanks, said that one of the big issues at present was the role and position of trade unions in society.

What was at stake in the eyes of the Government was not individual freedom, but the nature and scope of trade union power. The law on the closed shop and picketing was aimed not at restricting the activities of pickets but at encouraging the activities of strike-breakers. The Government, ultimately, was giving more power to employers and taking it away from unions and organized labour.

That would not improve industrial relations, but could only make matters worse. There would be strife at the work place and at every level of counsel and debate in industry. What a prospectus for a government that was allegedly dedicated to getting Britain back on its feet. Britain on its knees was probably the better observation, he said.

Mr Michael McGahey, of the National Union of Mineworkers, seconding the vote of thanks, said he hoped that democracy would be established in the trade union movement, and that the TUC General Council would follow the lead given by Mr Parry to ensure that the movement would not be encumbered with the Employment Act. The movement must fight every inch of the road to see that the Act was dead before it started.

Congress gives support to the out of work

The Government would like to drive a wedge between those in in work and those not in work, and to blame the unions for it. Mr Clive Jenkins, general secretary of the Association of Scientific, Technical and Managerial Staffs, said in moving a motion calling on the TUC General Council to consider ways by which the interests of the non-employed could be represented.

The motion, which was declared carried unanimously, said that the trade union movement should not abandon members who had caused to be employed.

Mr Jenkins said that the movement must establish a community of interests between those who had work and those who wanted to work. The movement must negotiate a social wage more methodically than it had. The Government wished to squeeze inflation out of the system, but it was squeezing the people out of the system.

Mr Gary Craig, of the National Union of Public Employees, said that rule 18 of the congress said that any worker who was unemployed at the time of his election to the congress or his respective union was disqualified unless the congress suspended the rule.

Mr Terence Parry, the congress president, said he ruled that every delegate at the conference was entitled to vote.

WEST EUROPE

Summer of motorway demonstrations in France comes to end

From Ian Murray
Paris, Sept 1

There was only one serious hold-up on the main roads of France yesterday—the last day of the summer holiday season—and already the Ministry of Transport is congratulating itself on having taken the stickiness out of the traditional summer traffic jams.

That one hold-up, however, was symptomatic of a growing kind of protest in France. It was caused deliberately by the fishermen of Boulogne who formed a slow-moving blockade in their cars across the four lanes of the motorway from Lille to Paris to draw further attention to their long-running dispute.

Taking over motorways, especially at the busiest times, is fast becoming the fashionable way of attracting the public's attention to a cause. This summer has seen a positive eruption of motorway demonstrations.

Essentially, these demonstrations come in three different kinds. There are the slow-moving jam-formers, such as those used by the Boulogne fishermen. There are the comprehensive road blocks much favoured by angry farmers and lorry drivers. Finally, there are the motorists' friend type, where the motorway toll booths are occupied by the demonstrators who wave drivers through without payment.

Two operations of this last variety were mounted yesterday by farmers in France's granary of Beauce on the two motorways which cut across their cornfields.

The farmers want payment of 400,000 francs (£40,000) from the motorway company to compensate them for the extra costs they claim they incur in having to take a roundabout way to their fields which are bisected by the roads. Drivers on the roads yesterday were thus able to travel free of charge as the toll booths were taken over by the farmers.

A similar protest was organized in the middle of August by miners from the Cevennes basin near Nimes. They took over the booths on the A9 motorway, and handed drivers leaflets calling for the development of anthracite mines in the region rather than asking them to pay money.

At the start of last month 100 motor cyclists used the same method of protest when they took over the Normandy autoroute at Dozule in the Calvados in protest at Government proposals to make them pay a road tax. Their action was timed to coincide with the main annual holiday departures, and caused a long road block.

That weekend of August 1 was, in fact, the busiest ever recorded on French roads and the result was it gave protesters an ideal opportunity to cause the maximum disruption with the minimum of effort.

It was anger at restrictive by-laws in Paris which caused lorry drivers to all but seal off the capital in late May with a well-coordinated slow-moving blockade on all the main roads leading to the city. They have not yet carried out their threat to repeat the operation but negotiations on their grievances have begun.

At the height of the fishing blockade in Brittany, pork farmers succeeded in obtaining government measures to help them after drawing attention to their cause by blocking roads and Brest airport with pig offal.

Fishing leaders were encouraged to think their blockade ought to produce a similar reaction from the Government. The fishermen's blockade in turn led fish hauliers in Boulogne to block the roads to the town.

Another type of action was taken today by farmers in the Gard. They were stopping all West German lorries on the A9 motorway at a toll booth near Marseilles in protest at the week-old decision by the West German authorities to stop the import of French Golden Delicious apples.

This growth in motorway protests comes just as the Ministry of Transport has been priding itself on its methodical propaganda which has succeeded in reducing the number of hours wasted in traffic jams by a significant amount.

Energy-conscious ministry experts have calculated a car wastes two litres of fuel for every hour it is stuck in a traffic jam. This calculation has given real impetus to the campaign. Even with the protest road blocks, the 440,000 hours lost in the weekend of August 1 this year were only a third as high as the 1,216,000 lost over the same period in 1976.

Nevertheless, the growing awareness among protesters that a very small number can disrupt the journey of thousands is a serious threat to Ministry of Transport planning.

63,000 troops take part in Nato exercise

Hanover, Sept 1. — Military manoeuvres by 63,000 Nato troops started in Lower Saxony this morning. Called "Crusader 80" they coincide with similar manouvres in East Germany by the Warsaw Pact countries.

Ten thousand British troops and 20,000 reservists started crossing the Channel by ferry boat and aircraft today to demonstrate their ability to reinforce Britain's Army of the Rhine. The reinforcements will reach the scene of "Crusader 80" in two weeks.

In addition, 17,000 American soldiers will arrive from the United States by Friday including paratroops who will jump directly into the manoeuvres area for the first time in Nato exercises. West German, Dutch and Belgian troops are also taking part. — Agence France-Presse.

M Barre pays tribute to French air pioneers

Paris, Sept 1.—The fiftieth anniversary of the first flight from Paris to New York by two French aviators was commemorated today in a ceremony at Le Bourget airport attended by M Raymond Barre, the Prime Minister.

He paid tribute to Dieudonne Costes, the pilot who died in 1973, and to M Maurice Bellonte, aged 84, his navigator, who made the 37-hour 17-minute flight in their "Point D'Interrogation" (Question Mark).

The Costes-Bellonte flight came three years after Charles Lindberg's first transatlantic crossing, but theirs was in the opposite direction, considered more difficult.

Their aircraft had a 780 hp engine and carried about 1,500 gallons of fuel with a range of 5,625 miles. — Agence France-Presse.

Theatre has new spell of youth

Comédie Francaise is now 300 years old

From Charles Hargrove
Paris, Sept 1

Three centuries ago this month the Comédie Francaise was founded by Louis XIV when on a visit to his fortresses in the north.

The King had learnt of the death of the celebrated actor, La Thorillière, the leader of the Royal Troupe of the Hôtel de Bourgogne, which specialized in tragedy and the repertory of Racine, and was the rival of the troupe of the King's comedians led by Molière who died seven years before.

The King desired that all the actors in Paris who performed plays of the French repertory under his patronage should be regrouped in one theatre.

This decree, which is in the archives of the Comédie Française, ordered that 12 actresses and 15 actors whose names are attached to it should comply with the merger on pain of being forbidden to perform in Paris in future.

On August 25, the combined troupes which had also absorbed the Théatre du Marais dedicated to the plays of Corneille, gave their first performance of *Phèdre* and a forgotten comedy of La Chapelle, *Les Carosses d'Orléans* the receipts of which amounted to 1,424 livres and five sols.

Three hundred years, five kings, two emperors, 17 presidents and five republics later—as Jean-Jacques Gautier, the theatre critic has put it—the Comédie Française, the oldest and one of the most celebrated theatres in the world, is going stronger than ever, its reputation has never been so high and it plays before packed houses.

To obtain a season ticket is an achievement comparable to obtaining a seat on the centre court for the world tennis championship at Wimbledon.

If the House of Molière, as it is also called, is now experiencing a new spell of youth, the reason is that through all the changes of regime and the fickleness of France's rulers, it has known how to adapt itself and to adjust to the needs of the times.

The rules laid down by Louis XIV for membership of what is in fact an actors' association are still substantially in force although their strict character which bound the actors to the theatre for life has been gradually adjusted to enable them to contract out after 15 years and obtain temporary leave of absence.

Severed fingers sewn back

Nice, Sept 1.—Two fingers severed from the hand of a girl of two were sewn back in place in a series of micro-surgery operations today at a Nice hospital.

The girl, Faissa Mesbhahi, had her fingers cut off by an escalator here. Firemen dismantled the escalator and recovered the fingers.—Agence France-Presse.

Fall in Italy's road deaths

Rome, Sept 1.—A total of 1,150 people were killed on Italian roads during the summer holiday period and 25,37[illegible] were injured, a drop from last year when 1,304 died and 26,7[illegible] were hurt.

The better figures emerge despite an increase in the number of cars on the roads. Police say that drivers are showing greater responsibili

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Moscow mounts campaign to force Mr Gierek to moderate settlement made with the strikers

From Michael Binyon
Moscow, Sept 1

More than 48 hours after Warsaw's settlement with the striking Polish workers, Tass today carried its first brief report on the settlement stating agreement had been reached on "a number of socio-economic questions" and work had resumed in regions where "interruptions" had taken place.

The report made no mention of the agreement to allow workers to strike or set up trade unions independent of party control, and as a toughly worded article published in *Pravda* this morning made clear, these provisions, striking at the foundation of communist orthodoxy as laid down in Moscow, are quite unacceptable to the Soviet leadership.

The *Pravda* article is the first substantive Soviet comment on the Polish crisis, and for many ordinary Russians, it was a puzzling and rather alarming account of events they have heard about only vaguely.

The decision to read the article last night on the main evening television news bulletin underlines its importance as a statement of Soviet policy. Its frequent reference to "anti-socialist elements" trying to stir up counter-revolution and undermine communism are an ominous warning to Mr Edward Gierek, the Polish party leader, that Moscow is alarmed by his concessions.

The prevailing view among Western diplomats here, however, is that while the *Pravda* statement was considerably harsher than many expected in the light of the return to work in Poland, it still does not indicate any Soviet intention to intervene militarily in Poland.

The statement, which is deliberately threatening but vague, is seen more as the opening blast in what looks like being a rough Soviet campaign to force the Gierek Government to claw back the agreement with the strikers or to so circumscribe it as to render it meaningless.

It would not be hard for Moscow to put pressure on Mr Gierek to do so. Poland's economy is in an appalling mess and the strikes have compounded the difficulties. Mr Gierek may find he cannot avoid turning to the Russians for emergency short-term aid.

Economic pressure could also be applied by reducing vital Soviet oil exports to Poland, which cannot afford to buy oil on the open market.

Without having to intervene, the Soviet Union, together with East Germany, could stage large military movements close to the Polish border that would be a chilling reminder to Mr Gierek of where the power lies.

A puzzling question about the *Pravda* article, which does not actually attack the settlement terms, though that is the clear implication, is why the Russians chose to make their opposition so clear just as the strikes are subsiding, instead of waiting until the country is back at work. There may be several explanations.

First, the Kremlin probably believes Mr Gierek and his colleagues are naive in believing the new agreements workable. The Russians are suspicious of any thing they regard as a "slipper slope"—liberal measures which only feed expectations for greater liberalization.

They do not believe that independent trade unions, officially representing the working class, are compatible with a separate ruling Communist Party, whose claim to legitimacy is based on the assumption that it alone genuinely represents the working class.

Whatever the new Polish unions' protestations of loyalty to the party's "leading role", the Russians see a basic contradiction, which could encourage the political pluralism that the strong Polish dissident movement has been calling for.

Secondly, the Russians may believe that they should nip the new agreements in the bud before Mr Gierek's administration begins to put them into effect. An early signal of Moscow's opposition would create less bitterness in Poland than an attempt later to interfere with the new structures.

Thirdly, in spite of the reintroduction of jamming of Western radio broadcasts, enough Russians have begun to hear about the Polish events from rumours, visits, tourists and Western broadcasts in languages other than Russian for the authorities to feel that a statement of their position is timely.

It is intended as a warning to any discontented workers at home, as well as a discouragement for any other East European country thinking of following the Polish example.

Finally the Russians, who until now adopted a wait-and-see attitude so as not to prejudice Mr Gierek's chances to settle the dispute, may now feel he has unnecessarily gone too far, creating more problems than solutions.

Karen Carpenter, the American singer, after her wedding to Mr Thomas Burris, a businessman, in California. During the ceremony she sang an original composition by her brother entitled: "Because We're in Love".

Challenge to Mr Botha by Transvaal party

From Ray Kennedy
Johannesburg, Sept 1

Dr Andries Treurnicht, the conservative leader of the Transvaal National Party, was cheered by more than 1,000 party delegates today when he challenged the South African Prime Minister's proposed constitutional reforms. "Any political planning aimed at getting white and black nations to grow together politically or socially is unacceptable to the whites", he declared

In a clear attack on Mr Pieter Botha's appointment of Dr Gerrit Viljoen as Minister of National Education, Dr Treurnicht said: "It is also wrong to want to force all nations' education into one department.

"I stress this because if a nation loses authority over its living space and own social structures, political authority, if it still has it, is little more than an empty shell. And that is not what we want for any nation, least of all our own."

Earlier, delegates at the Transvaal party congress in Pretoria had re-elected Dr Treurnicht unanimously as their leader and given him a standing ovation. The congress adopted a motion of full confidence in Dr Treurnicht and praised his "firm standpoint on policy and principle matters".

Although Mr Botha's plans for a President's Council, which will advise the Cabinet, have been set back by the refusal of black homeland leaders to form a separate committee of their own, it has been agreed to hold talks again this month to discuss the issue.

But Dr Treurnicht, relegated in Mr Botha's Cabinet reshuffle last week to the non-ideological portfolios of Statistics and Public Administration, made it clear to loud cheers tonight that the powerful Transvaal party will expect a clear declaration from the Prime Minister that apartheid principles will not be abandoned for the sake of constitutional reform.

Resolutions before the congress during the next two days call for reassurances from the Government that whites will not be forced to accept mixed living areas, schools and social and political structures.

One branch, Pietersburg, wants the Government to state clearly it will keep the Mixed Marriage and Immorality Acts, which bar sex and marriage across the colour line, the Group Areas Act and the Act governing group registrations.

Mr Botha rattled many Nationalists a year ago when he said he did not regard mixed marriages as sinful and invited suggestions about how to make the immorality laws more "workable".

Dr Treurnicht said he had been asked whether the Transvaal congress was going to be a political watershed. "It is clear that people expect a message to go out from this congress and that direction must be given for the road ahead," he said.

The National Party's approach must be "that of balanced, friendly and just nationalism, a Christian nationalism as enshrined in our party constitution, a white nationalism alongside other nationalisms in southern Africa".

Dr Treurnicht added: "I believe that if we maintain a white nationalism alongside other nationalisms, the political watershed is actually always present. Then it is here today."

But he gave a warning. "If you give up power over your own people, or share it with other nations, then you have lost it for good. The national consciousness among whites still means that control of their own state will not be given up."

Against this challenge from conservative Afrikanerdom, Mr Botha is clearly relying on English-speaking South Africans to give his reformist plans their vote of approval in a by-election on Wednesday at Simonstown, the naval base constituency near Cape Town.

Professor rejects post in Begin Cabinet

From Moshe Brilliant
Tel Aviv, Sept 1

Professor Moshe Arens today declined to accept the position of Defence Minister in the Begin Government because, he said, it had given away too much in peace negotiations with Egypt. Mr Ezer Weizman resigned the post in May claiming that the Government had not been sufficiently forthcoming.

Professor Arens, the respected chairman of the parliamentary foreign affairs and security committee, called on Mr Menachem Begin, the Prime Minister, in Jerusalem today and informed him that political differences prevented his joining the Cabinet.

He said in an interview later that although the Government regarded the peace treaty with Egypt and the Camp David agreement as important achievements, he considered them bad mistakes.

"Ministers must identify themselves without reservation with all major points of government policy," he said. Professor Arens had voted in Parliament against ratification of the peace treaty and acceptance of the Camp David accord.

Curiously, the appointment of Professor Arens had been assured of the parliamentary backing of the Likud's coalition partners, who had blocked earlier attempts by Mr Begin to replace Mr Weizman.

Amnesty attack: Amnesty International has criticized Israel for its refusal to change procedures to stop alleged ill-treatment of detainees held on suspicion of security offences.

Calling on the Israeli Government to set up a public and impartial inquiry, Amnesty claimed that the Israeli authorities had been unable to refute persistent complaints of brutality.

The organization's recommendations were originally made in a memorandum to the Israeli Government and were made public today with an Israeli reply rejecting them.

Strike by Muslim sect paralyses Lebanon

From Our Correspondent
Beirut, Sept 1

A general strike paralysed government and business activity in most parts of Lebanon today as Muslim Shia demonstrators stopped traffic between Beirut and other areas by burning tyres on the roads. Reports from Sidon, 30 miles south, said two people were killed and seven wounded in a gunfight.

The clash was between Palestinian guerrillas and Shia gunmen who demanded the withdrawal of Palestinian armed men and vehicles from the village of Ghaziyeh to ensure that the strike would be peaceful.

The strike was called by leaders of the 900,000-strong Shia community to protest against the disappearance of the community's spiritual chief, Imam Musa al-Sadr, two years ago.

He and two companions disappeared after a visit to Libya, where they had attended celebrations for the ninth anniversary of the revolution.

Libya says Imam Sadr and his companions had left the country by air for Rome, but Shia leaders in Lebanon say they are being held in Libya.

The strike was successful in mainly Muslim west Beirut, southern Lebanon, the northern port of Tripoli and the central Bekaa valley.

This was mainly because it had been called more than a week ago, and was approved by the authorities and by the left-wing National Movement coalition.

The Shias usually support the Palestinian guerrilla movement, which has distributed posters of the missing Imam with a caption quoting one of his best-known slogans: "There is unity between the deprived in their homeland and the deprived of their homeland." the idea being to emphasize unity between Lebanese Shias and the Palestinian guerrillas.

Shia political and religious leaders have urger Lebanon and Arab governments to act to secure the release of Imam Sadr and his companions. A religious chief, Mufti Kabalan, called on Arab states to expel Libya from the Arab League until the Imam is freed.

The strike today demonstrated the power of the Shia community in Lebanon, which, though it has sympathies with Ayatollah Khomeini of Iran, is generally loyal to Lebanon.

The community's relations with the Palestinian guerrillas were briefly strained recently, but were repaired after the intervention of President Assad of Syria and Mr Yassir Arafat of the Palestine Liberation Organization.

Trial starts of second Abscam case

From Our Own Correspondent
Washington, Sept 1

With one member of the House of Representatives already convicted of bribery, a second member of Congress stands trial this week accused of charges resulting from the Federal Bureau of Investigation's so-called Abscam operation.

Mr John Jenrette, a Democrat from South Carolina, is accused of conspiring to accept $225,000 (about £93,000) for helping a fictitious sheikh to enter the United States.

Threat of further executions by Liberian leader

Monrovia, Sept 1.—Master Sergeant Samuel Doe, the Liberian leader, said the government would resume executions of people he described as enemies of the Liberian people.

He told a rally in the south of the country that "any anti-revolutionary element caught undermining the progress of the Liberian revolution would be immediately executed".

Soon after he seized power in April, officials of the former regime were executed for "crimes against the state".

'Catastrophe if promises are broken'

From Patricia Clough
Bonn, Sept 1

A leading Polish journalist said today that if the Polish Government did not keep its promises to the workers it would face fresh strikes "or a catastrophe".

"The Government has got to fulfil (its promises) point by point" Mr Miroslav Rakovski, editor of the Polish weekly *Politika* said in a telephone interview with the West German radio station Deutschlandfunk.

Mr Rakovski disagreed with his interviewer that the agreement represented defeat and loss of authority for the Government. "I think we needed wide ranging and deep reforms of our system. Therefore I do not think we have lost. We have opened a new phase in the development of Poland."

It was too early to say whether the agreement could lead to a "Polish model" of communism. "First the new points or policy must be put into practice. . . . Today everything is so new, the structures must first be built up.

The news of the agreement was greeted in the West German Government with a sense of cautious relief.

The East German Government, like that in Bonn, has remained officially silent about the Polish events. The official news agency ADN published a statement my Mr Gus Hall, the Secretary-General of the American Communist Party, which blamed the strikes on poor leadership and a deformation of socialist methods.

The East Germans have been informed through their media that there has been agreement, but not what it contains. The rest they will have learnt from West German radio and television which reaches most parts of the country.

Conversations with a German correspondent in East Germany last week have shown that the Polish situation is the big talking point there, that the East Germans are well informed and sceptical that the workers will get what they want.

Frau Marlies Menge, of the weekly *Die Zeit* found a certain admiration for the Poles but apparently little desire to imitate them. One worker told her: "What the Polish workers are doing in Gdansk is needed here, but it is not going to happen. . . . No one is going to lift a finger here."

Ringing Carter call on last leg of campaign

From David Cross
Washington, Sept 1

President Carter today began the final leg of his reelection campaign with a ringing call to Americans from his native South to join him in a "great and noble campaign" for jobs, stable prices and a secure peace.

These are the principal themes Mr Carter is expected to emphasize during the next nine weeks of intensive electioneering before voters go to the polls on November 4. The President will argue that under his first Administration a sensible course has been charted and it is now up to the electorate to ensure that he has time to fulfil his goals.

While the President spoke at a Labour Day picnic in Tuscumbia, Alabama, his Republican opponent, Mr Ronald Reagan, was launching his campaign in the shadow of the Statue of Liberty in the industrial north-east, and Mr John Anderson, the only other candidate of note, was attending a rally in his home state of Illinois.

The holiday is the last day of the summer vacation period in the United States and traditionally signals the official opening of the presidential election campaign.

Four years ago as the challenger, Mr Carter used Labour Day for a whirl of activity. This year, however, as befits the incumbent, his campaign staff scheduled a more leisurely day with the Tuscumbia picnic and a similar affair on the White House lawn in Washington to entertain trade union leaders.

During his speech before a crowd of about 15,000 supporters from Alabama, Mississippi and Tennessee (Tuscumbia is on the border of all three states), the President said that the Democratic Party had always been the party of progress, "and Democratic leadership—together with American ingenuity and American dedication—offers the brighest economic future for all the people of the United States".

The remainder of the speech was remarkable only for its platitudes and its total failure to mention even in passing either of his presidential rivals. "You people here share my past, my values and my love of this country", he said.

By contrast, Mr John Anderson opened his independent campaign in his home town of Rockford, Illinois, with a sharp attack on the inabilities of both Mr Carter and Mr Reagan to appreciate fully the risk of a nuclear war.

Mr Anderson who is still regarded as a very long shot by political experts, has now unveiled his election programme. The platform, which was announced during the weekend, calls for "national unity" to set right the failures of 20 years of political parties and their leaders.

US Elections

Reagan attack: Mr Ronald Reagan formally launched his presidential campaign this afternoon with a denunciation of President Carter's economic policies, delivered before a small crowd of "ethnic Americans" (Patrick Brogan writes from Newark, New Jersey).

At the end of his speech he brought up to the platform to stand beside him Mr Stanislaw Walesa, father of the Polish strike leader, Mr Lech Walesa.

Mr Walesa, who came here seven years ago, joined Mr Reagan in singing "God Bless America".

Mr Reagan spoke from the bank of the Hudson river, with the New York skyline and the Statue of Liberty behind him. He addressed himself to immigrants and the descendants of immigrants. "They didn't ask what this country could do for them," he said, "but what they could do to make this refuge the greatest home of freedom in history."

A week ago, Mr Reagan got into trouble by saying that the country was now in a severe depression, a charge that his economic advisers found difficult to substantiate.

Today, after a week's cogitation, he found his escape from his faux pas. "Let us show the world", he said, "that when the American people cried out for help, Jimmy Carter took refuge behind a dictionary. Well, if it's a definition he wants, I'll give him one.

"A recession is when your neighbour loses his job. A depression is when you lose yours. Recovery is when Jimmy Carter loses his."

Egyptians face a month without meat

Alexandria, Sept 1.—Many Egyptians faced the prospect of a month without meat today after President Sadat ordered an immediate stop to the slaughtering of cattle and sheep in an attempt to halt soaring food prices.

He said the measure was to give a Cabinet committee time to draw up a plan to combat a "criminal increase in prices", which his administration has partly blamed on profiteering.

Mr Sadat appealed to Egyptians not to react by hoarding eggs and chickens.

ILO expects role after deal in Poland

From Our Correspondent
Geneva, Sept 1

A clear role for the International Labour Organization in the evolution of new trade unions in Poland is foreseen by M Francis Blanchard, the ILO director general.

"We are not starting from scratch on this", he said today on arrival from New York where he attended the United Nations General Assembly's special economic session. "We have been in touch with the Polish authorities constantly over recent years and especially in the past few months".

In May the head of the ILO application of convention department visited Warsaw and "the main recommendation of his report was to bring the Polish legislation of 1949 into line with the principles of convention no 87". (This is the convention on freedom of association and protection of the right to organize).

M Blanchard suspects there will be many questions to be resolved in detail. "The ILO stands ready to help and I have reasons to believe, and I hope, the two parties will call upon us".

Afghans ignore idea of defeat

Continued from page 1

Clearly there could be little agreement between Mr Gulbuddin and two other leaders, Mr Syed Gailani and Mr Sibghatullah Mujadedi, who both have large personal followings, are liberals and have the title of Pir, roughly the equivalent of "Saint".

Mr Mujadedi was once a religious adviser to the King, and Mr Gailani is suspect in some eyes because he had ties with the King.

Both men are part of the alliance, but may leave it and join the Loya Jirga (Big Council) set up by nationalists as a political body and headed by Mr Gailani's nephew, Hassan. It is not a popular organization and has so far failed to get off the ground.

The expected departure of the two liberals would leave three conservatives in the alliance, the groups headed by Mr Mohammad Mohammadi, Professor Burhanuddin Rabbani, a senior and scholarly figure, and Mr Younus Khalis, a tough tribesman in his sixties who spends much of his time fighting and whose group is active on the road from Kabul to the Khyber.

So the rebel groups will pursue, essentially independent paths, obtaining money, not through a common funnel, but through the efforts of their envoys in the Middle East.

A spokesman for one of the groups said: "We are not being helped by governments. Money comes through donations from Muslim people in many countries."

An envoy recently returned from a successful mission, carrying a suitcase full of banknotes into his group's office.

There is no coordination of the activities of more than 60 *mujahidin* groups. Attacks on special targets are sometimes arranged through negotiation with tribal leaders. A guerrilla group wanting to cross another tribal area will have to negotiate, or even pay a toll.

In many cases arms are handed out before an action and have to be returned after it. The *mujahidin* are often short of ammunition, especially for their captured Soviet weapons. A *mujahidin* chief in the border area south of the North-West Frontier told me that guerrilla groups would not share ammunition. "Sometimes men cannot go out to fight because their guns are empty" he said.

Guns are readily available in the arms village of Darra, near Peshawar, but modern weapons, captured or copied, are very expensive. Representatives of the *mujahidin* do some of their shopping here.

There is a romantic image of the Afghan tribesman, the fierce, black-bearded, hawk-eyed fighter, governed by strict tribal codes in which hospitality and vengeance have a strong part. To some extent this is true.

But there is also another aspect. The tradition of banditry is well established in Afghanistan and it is sometimes difficult to draw a line between acts of war and the acts of brigands.

There is also the slippery nature of the truth about the war in Afghanistan. The *mujahidin* and their supporters tell lies of handsome proportions, reporting great successes in their battles with the Russians, with large numbers of enemy dead, helicopters shot down and burnt-out tanks.

Yet, incredible though their claims are, and divided as they are, it seems unlikely that the guerrillas will be beaten. It is partly a matter of their fierce loyalties and fighting skills. But more important, the idea of defeat, like the concept of unity, is not in their blood.

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OVERSEAS

New S Korean leader promises easing of political restraints

From Peter Hazelhurst
Seoul, Sept 1

Endorsed by the armed forces, General Chun Doo Hwan, a 49-year-old career soldier without political experience or a base of popular support, was sworn in in Seoul today as South Korea's fifth post-war President.

After the ceremony in the Chansil gymnasium, he announced that a new and slightly more liberal constitution would be put to a referendum in October and the country would then go to the polls in the first half of next year to elect a new National Assembly.

The new President made it clear, however, that his chief rivals, including Mr Kim Dae Jung, the opposition leader who is on trial on political charges which carry the death sentence, might be banned from standing for political office.

He said: "In recent months we have exposed a considerable number of politicians from the past who were responsible for the prevalence of malpractices. Further, it is my belief that we cannot risk putting the helm of the state into the hands of such politicians. I am therefore convinced that the renovation of our political system and a change in the generation of our politicians is unavoidable."

General Chun was elected unopposed by an electoral college created by the late President Park Chung Hee who was assassinated in October.

Reminiscent of the result of elections in North Korea, all but one of the 2,525 members of the college supported him.

General Chun also isolated two other potential rivals before the election. They are Mr Kim Young Sam, the leader of the opposition New Democratic Party, and Mr Kim Jong Pil, the leader of President Park's political base, the Democratic Republican Party (DRP).

Mr Kim Young Sam recently announced his retirement from politics in the "face of political harassment", his aides claim.

Mr Kim Jong Pil recently resigned from the DRP after he was arrested on charges of corruption and then released after handing his fortune over to the state.

Described by his staff as "an instrument, created by the hands of God to lead the country at this critical time", General Chun rose to prominence in recent months when he quelled a rebellion in the southern town of Kwangju in May and June this year in his capacity as commander of the military security command.

"It just so happens that he suddenly rose out of obscurity because he happened to be in the right job at the right time", one Western diplomat claimed in Seoul. "President Chun knows little about politics or economics but he has demonstrated that he can provide the country with strong leadership. It all may be immoral from a democrat's point of view but it may be the best thing for a stable South Korea", he said.

General Chun has already said that the country failed to evolve a viable political system because his predecessor monopolized power for 18 years. As a result the country's new constitution is likely to carry a clause which will limit the President to one seven-year term of office.

The President also indicated today that he would attempt to lift martial law before an election is called next year.

Described by American military observers as a hard-working but puritanical field commander, General Chun announced today that he intends to transform South Korea into a democratic welfare state but went on to emphasize that "private initiative will form the heart of our economy".

President acts in Iran Cabinet dispute

Tehran, Sept 1.—President Abolhassan Bani-Sadr of Iran has written two letters to Parliament expressing disapproval of the list of Cabinet ministers proposed yesterday by Mr Muhammad Ali Rajai, the Prime Minister, it was reported in the *Tehran Times* today.

The constitution says ministerial nominations must be approved by the president.

The newspaper said an official at the President's office had said that no agreement had been reached between Mr Bani-Sadr and Mr Rajai on the Cabinet list. The official said the "blood of 70,000 martyrs of the revolution, which had gone into the making of the constitution, was at stake". Mr Sadeq Qotbzadeh, the outgoing Foreign Minister, was quoted as saying he had personally been told by the President that no agreement had been reached.

When Mr Qotbzadeh was asked for his opinion of his designated successor, Mr Hossein Moussavi, he said: "I don't think he is competent."

The new Cabinet, which still has to be ratified by Parliament, held its first meeting yesterday. — Agence France-Presse.

Protesters jailed: Three more Iranians were jailed by Highbury magistrates for offences arising from the demonstration outside the American Embassy in London last month (the Press Association reports).

One man, charged with assaulting a policeman, was sentenced to three months and recommended for deportation. A charge of possessing an offensive weapon was dismissed.

Two other men were each sentenced to 14 days for obstruction, while a fourth, charged with assault, had his case dismissed. All four refused to give their names.

Leading article, page 13

Mr Joshua Nkomo, the Zimbabwe Home Affairs Minister, takes part in a football match between his Patriotic Front Party and the African Chamber of Commerce at Bulawayo.

China has £5,000m budgetary deficit

From David Bonavia
Hongkong, Sept 1

The National People's Congress (Parliament) meeting this week in Peking has seen the release of important economic performance figures and targets, but the big political changes it is due to disclose are still under wraps.

Mr Wang Bingqian, the newly appointed Finance Minister, has admitted that China now has a budgetary deficit, in contrast to the past, rigidly followed policy of balancing the Government's books every year.

Defence spending rose significantly above the estimates for last year—doubtless because of the 16-day Chinese invasion of Vietnam; but it is to be trimmed back this year and next year, after the pattern of slow growth of arms spending established since the early 1970s.

Mr Yao Yilin, the country's new Chief Economic Planner, has reaffirmed the Communist Party's policy of cutting back investment in heavy industry and pumping more money into the light industrial and agricultural sectors to satisfy the needs of the consumer.

The Finance Minister said that foreign loans to China would total some $3,400m (£1,400m) by the end of this year. Legislation to collect business taxes from joint ventures with foreign firms investing in China, and income tax from individual foreigners, would be implemented soon.

The minister said that budgetary expenditure in 1979 exceeded income by the equivalent of about £5,000m. This was £7,745m over the estimate for a balanced budget.

Mr Wang said the deficit would be reduced to about £2,335m this year and to some £1,459m in 1981. China's financial policy was "one of ensuring balance with a slight surplus".

Military expenditures last year were nearly £600m higher than estimated but this expenditure had been "absolutely necessary for China".

The leadership seems to have decided to deal with economic matters early in the congress session of nearly two weeks. Mr Hua Guofeng, the Prime Minister, is expected to make a speech next Sunday, offering his own resignation, which will be accompanied by that of Mr Deng Xiaoping, the senior Deputy Prime Minister.

Both men, it is believed, will keep their much more important posts as chairman and leading vice-chairman of the Communist Party respectively.

In the meantime, the congress is expected to produce important statements of policy on the liberalization of cultural life, reinstitution of firm and controlled organs of government, and the consolidation and extension of China's new set of legal codes.

About six other deputy prime ministers are expected to retire, voluntarily or otherwise, leaving room for younger men favourable to Mr Deng's strongly right-leaning policies to assume high office.

This congress is without a doubt the most important and comprehensive forum for announcement of China's new policy line to have taken place in the past decade.

Left-wing opposition to Mr Deng's policies has been effectively crushed with the dismissal of its best-known advocates, the severe criticism of "mistakes" made by Mao Tse-tung, and the near-total destruction of the personality cult which used to surround him.

Mugabe pledge on free enterprise

From Frederick Cleary
Salisbury, Sept 1

Mr Robert Mugabe, the Zimbabwe Prime Minister, has assured the international business community that there is a place for the free enterprise system in his country and potential investors have nothing to fear.

Speaking today at an international economic conference in Salisbury to several hundred delegates from more than 30 countries, Mr Mugabe said that while his government remained committed to a socialist egalitarian democratic society which recognized the collective interest and collective demands, it respected the rule of law and individual rights and freedoms.

"In guaranteeing these rights and inpursuit of the fulfilment of our socio-economic objectives we as a government have also made it clear that private initiative and private enterprise have an assured and significant role to play in the economy of the country.

Furthermore, it is our wish and desire that private industry will not only carry out its plans in ways which are consistent with those of government but also that such plans will recognize in their practical application the social aspirations of the people of Zimbabwe".

The Prime Minister said that given acceptance by private enterprise of state objectives and priorities his Government would refrain from imposing its will upon it. He said, however, that private enterprise should lend itself to local participation and management. While dividends and profits could be remitted, a substantial percentage of profits should be reinvested locally.

The Prime Minister said there were certain areas where it was considered essential that there should be Government participation, such as in energy. Where the Government decided it had to participate in the economy it was prepared to consider such arrangements as equity shareholdings, joint ventures or even agreements with private enterprises.

Apart from certain strategic areas, the Zimbabwe Government was prepared to consider offers of participation on suitable and acceptable terms from private industry in other spheres. He said it was a natural projection of the country's independence that a substantial control of the economy should remain in Zimbabwean hands.

There should also be local incorporation of internationally owned companies and businesses operating in Zimbabwe. "This should be interpreted as nothing more than a sign of good faith and a demonstration of mutual trust," he said.

Mr Mugabe told the delegates, some of whom came from Britain, other European countries, the United States and Japan, that Zimbabwe had the necessary economic structure. It was now at peace and had great potential and good opportunities for future investment.

Zimbabwe, since it gained independence four months ago, had gained entry to a number of international and regional groupings including membership last week of the United Nations. The country was determined to play its part in making meaningful contributions to the search for solutions to the international and regional problems of the world.

Christian chain-letters in Russia

By Gabriel Ronay

A wave of Christian chain-letters is penetrating the heartland of atheist Russia. Letters received by people in the Volga town of Engels, in the industrial city of Tula and in Siberia speak of a miraculous vision of a 12-year-old boy to whom "the Lord God has appeared clad in white".

The letters urge the recipients to spread the gospel by making nine copies of the message and mailing them to others. Some letters warn recipients that, if they break the chain, they may be afflicted by an incurable disease. Those who follow the instructions are promised happiness.

This novel form of proselytizing is a clear challenge to the state's "scientific atheism". Vigilant Communist Party members in the Russian Federation have drawn the attention of the press to this new form of Christian propaganda.

In response to "irate" readers' letters, the federation's party newspaper *Sovietskaya Rossiya* has raised the subject of what it called "holy letters" circulating in the towns and villages of Russia.

A woman reader from Engels has written to the newspaper to voice her anger at intimidation by the "holy letters". The article notes that "similar 'holy letters' have been received of late by the inhabitants of Tula and other towns and villages".

Like other recipients of "holy letters", the woman from Engels demands that the writers and mailers of Christian chain-letters be severely punished.

But *Sovietskaya Rossiya*, while acknowledging the danger of this type of Christian proselytizing, does not appear to share its readers' view that harsh administrative measures are needed to stop the chain-letters.

"Article 52 of the Soviet Constitution guarantees Soviet citizens' freedom of conscience. If you are so inclined, you may believe (in Christ), if not, it is your own business. And if some believers think they can circulate such letters with the help of immoral tricks, it is, so to speak, a matter for their consciences", the newspaper said.

The Muslims of Soviet Central Asia appear to have started their own chain-letters. In view of the spread of Islamic fundamentalism from Iran, the authorities in Central Asia are not taking as lenient a view of this phenomenon as the author of the *Sovietskaya Rossiya* article.

The Turkmen newspaper *Soviet Turkmenistany* angrily denounced earlier this year those who were mailing chain-letters with a fundamental Muslim message to students and highschool pupils in the republic.

Mr Mukhamednazar Gapurov, First Secretary of the Turkmen Communist Party, at a recent scientific conference on the "internationalist education" of the republic's youth, indicated the authorities' growing concern at Muslim revivalism.

Aid programme will move thousands from Kampuchea

From Alan McGregor
Geneva, Sept 1

A new aid programme in Kampuchea for rehabilitating about 300,000 people in their countries of origin was announced here today by the United Nations High Commissioner for Refugees.

Most of the people are rural workers and include a large proportion of women and children: 115,000 are from Vietnam, 20,000 from Laos and 175,000 from Thailand. They are now living in areas along the Kampuchean frontier in the western provinces.

While the United Nations has been helping Kampuchean refugees in Thailand, this is the first time is has been operative within Kampuchea itself. The programme, costing about £6m, is due to be completed by the end of the year.

The Phnom Penh Government has given the United Nations an assurance that its staff will be permitted facilities to monitor distribution of the aid, which includes food, seeds, agricultural implements, clothing and mosquito nets.

It is hoped the programme will serve as an incentive for refugees to return to their former homes.

Grammar setback: The Thai Government's White Paper on Vietnamese aggression against Thailand could not be published today as planned because it contains factual and grammatical errors (Neil Kelly writes from Bangkok).

Some advance copies printed in English have already been distributed to diplomats in Bangkok, but a Foreign Ministry spokesman said that further copies would not be available until late this week after corrections had been made.

The Nation Review, an English-Language daily, said today that nobody outside the region could read the document without scepticism because of the errors it contained and its appearance so long after the events it described.

Lesotho amnesty may lead to general election

From Our Correspondent
Johannesburg, Sept 1

An amnesty came into effect today in Lesotho which could pave the way for the holding of a general election in the former British protectorate for the first time in a decade.

King Moshoeshoe II is empowered, on the advice of Chief Leabua Jonathan, the Prime Minister, to grant amnesty to any Basotho living outside Lesotho who could be charged with kidnapping and other acts of sabotage.

Chief Jonathan said at a public meeting at the weekend there were two Basotho living in Tanzania who had asked to be allowed to return home. He did not name them but after an unsuccessful coup in 1974 several leading opposition members fled into exile in Botswana, Zambia and Tanzania.

Chief Jonathan declared the results of Lesotho's last general election in 1970 invalid.

Police killed as Turkish violence claims 35 lives

From Sinan Fisek
Ankara, Sept 1

Political violence in Turkey left 35 people dead over the last three days with Ankara at the centre of terrorist activity.

Witnesses said two men, believed to belong to the left-wing Dev-Yol (Revolutionary Path) underground movement, today shot dead two police officers on duty in Ankara's residential Cankava area, where many press corps members live.

The killers escaped on foot towards a nearby slum.

Last night right-wing rioters set fire to some 15 houses in the Mamak neighbourhood, gutting five homes. Their action was believed to have been in retaliation for the death a few hours earlier of a local leader of a right-wing movement who was shot dead in a left-wing "liberated zone".

In other parts of the capital another five people were killed, including an employee of the Ministry of National Education, and a woman—so far unidentified—who died in a bomb attack.

In Hilvan, in the province of Urfa, in south-eastern Turkey, four gendarmes died fighting members of the Kurdish Apocu separatist movement.

A sergeant and two privates were killed in the first clashes at the weekend. The next day another sergeant was shot dead in an ambush as he led his men back from a mission against the Apocu guerrillas. The presumed assassin was later arrested.

Six people were killed in Istanbul, four in Siirt province, two in Izmit and three in Bursa, the industrial centre in north-eastern Anatolia where 10 people died during the past week. Eight other people were killed in separate incidents in as many towns across the country.

In Tarsus, gendarmes saved eight factory workers kidnapped during a fishing trip by right-wing terrorists. The workers were being tortured in a mountainous area nearby when the troops found them and their captors after one of the workers had escaped and alerted the police.

Rebel activity continues in Espiritu Santo

Port Vila, Sept 1.—Some rebel activity continued in the South Pacific island of Espiritu Santo today despite the surrender of Mr Jimmy Stevens, the secessionist leader, and the capture of his headquarters, a Vanuatu Government spokesman said.

Mr John Beasant, the spokesman, said about 100 rebels were believed to be gathered at Port Olry in the east of the island and others were in Big Bay in the north. He gave no details of their activities. They were well-armed, but Mr Beasant added: "It is hoped they will realize their situation is hopeless and that they will surrender".

Papua New Guinea troops, who landed on Espiritu Santo two weeks ago after a request for help from Father Walter Lini, the Prime Minister of Vanuatu, had previously rounded up more than 130 rebels.

Mr Beasant said that after yesterday's operation the rebel headquarters was under Government control and all the principal leaders were arrested. "The rebellion is over, although it is true that mopping up operations remain", he said.

No immediate action by the Papua New Guinea force against the remaining rebels was planned. There were no immediate plans for the force, numbering about 300, to return home.—Reuter.

Helicopter hunt for illegal immigrants

From Richard Hughes
Hongkong, Sept 1

Night patrols of the Royal Hongkong Regiment of Volunteers will reinforce security units in the round-the-clock hunt for the illegal immigrants from China whose flow is rising.

They will be deployed from tonight in large Wessex helicopters of 28 Squadron RAF, which carry blinding Nitesun lights that can detect speedboats carrying the immigrants.

The helicopters will force the "snakeboats" (as they are called) ashore and then touch down to enable the volunteers to land and arrest the smuggled entrants.

Major Hugh Dey, the regiment's acting commander, said: "It will be an exciting and worthwhile task for the volunteers and one which should not interfere too much with their normal civilian employment in the daytime. All our soldiers are trained to operate from helicopters."

The number of illegal immigrants arrested and sent back to China increased last month by about 45 per cent—12,552 were forcibly returned compared to 8,459 in July. The total of those sent back so far this year is 59,123.

It is estimated that on average for every 10 immigrants arrested only three managed to settle with friends and families in urban areas.

The Chinese Air Force has also joined in the hunt. Last month, Chinese fighter aircraft detected two Hongkong snakeboats waiting near the Chinese coast to pick up illegal immigrants and shot dead two of the smugglers and wounded and captured another.

Macao is also taking action against illegal immigrants who use the Portuguese enclave as a stopping-point for later escape to Hongkong.

There has been a drop in the number of refugees arriving in Hongkong from Vietnam—2,366 last month compared to 2,800 in July.

Warning of 'internal war' by Philippines leader

Manila, Sept 1.—President Marcos today called on a citizen's army to cope with possible "internal war" in the Philippines as he rejected opposition demands that he step down and end martial rule immediately.

"Subtle and new forms of warfare" could sweep the country, he told Philippines Army reservists in a speech marking the third anniversary of their formation. "In the event of an internal war, it is not the soldier who suffers but the citizens and civilians, so they must be taught to protect their families and villages." The country's citizens should be vigilant.

President Marcos, who is 62, rejected a combined Opposition demand last Friday that he should yield power and dismantle martial rule at once. This would wreak "untold havoc" on the Philippines, now faced by a deepening international economic crisis, he said.

Responding to an Opposition accusation that he had brought the country to the "quagmire of disaster", he retorted that many Opposition leaders had misruled the Philippines before he declared martial law in 1972.

It would be dangerous to lift martial law "suddenly and impulsively", he said, citing what he called "clouds of war over the horizon" and the "deepening international economic crisis".

He reiterated earlier statements that he would consider lifting martial law next May if the Muslim secessionist war in the south were stopped, and if the country extricated itself from its economic crisis.

The President revealed that civilian volunteers were being trained continuously for the reserve force—the citizen's army. This particularly involved people working in public utilities and communications systems, he said. "In the event of crisis the citizenry would rise up and spontaneously organize themselves into a reserve command."—Agence France-Presse.

Drilling ban on aboriginal land is foiled

From Douglas Aiton
Melbourne, Sept 1

Despite an apparent victory by the Aborigines two weeks ago, drilling on the Noonkanbah site in the north of Western Australia started last Friday. The Western Australian Government, determined to explore the area for oil, managed to break the workers' ban on the rig by taking it over and forming a company to carry out the drilling.

The move by Sir Charles Court, the Premier of Western Australia, it is feared may create more hostility between whites and blacks which could even lead to violence. Those supporting the Aborigines say that the Noonkanbah area is sacred Aboriginal land, the violation of which will be disastrous to the Yungngora tribe.

Sir Charles, supported cautiously by Mr Malcolm Fraser, the Australian Prime Minister, has consistently rejected the claim, and said that anyway the actual drilling site is some distance from the area claimed to be sacred.

Noonkanbah seems likely to divide the country on Aboriginal matters. Such a confrontation between white and black rights in Australia has been looming for decades.

A delegation of Aboriginal land councils has arrived in Geneva to put the Noonkanbah issue to the United Nations subcommittee on elimination of racial discrimination.

When the drilling started on Friday most of the Noonkanbah community were at a rodeo at Fitzroy crossing. Sir Charles and his Minister for Mines yesterday flew from Perth to Noonkanbah to inspect the site. They invited Aboriginal leaders for talks but were rebuffed.

The Aborigines have been fighting the drilling plan since the American company Amax Petroleum asked to prospect on the 384,000-hectare station 15 months ago.

Mr Charles Perkins, the chairman of the Aboriginal Development Commission, has bitterly criticized the Prime Minister for allowing the drilling to start. He said that it had set back race relations in Australia by 10 years.

But Mr Fraser, before leaving on a visit to the United States, said: "I think some people in the east have been given the impression that the drill hole was going down on top of a sacred site. That is not true."

At Fitzroy Crossing, at the weekend, the old men of Noonkanbah were making arrangements for a large meeting of Aborigines.

Mr Dickie Skinner, their spokesman, later said that representatives from every Aboriginal land council in Western Australia, South Australia, Queensland and the Northern Territory would attend the crucial meeting on Wednesday.

Mr Skinner said: "We have still got our land and we are going to carry on the fight. We shall go back to Noonkanbah and work the station and fight the Government."

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'A perpetual festival of art' is how Allen Wright of The Scotsman described the National Galleries and their new look displays.

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THE ARTS

How Roy Scheider came to 'All That Jazz'

Whatever critical reservations there may be about the greater Broadway excesses and indulgences of Bob Fosse's new film musical *All That Jazz* (one that begins to look considerably more plausible in the sad light of last week's backstage Broadway death of Gower Champion and its attendant publicity), there cannot be much doubt that it has at last made a solo star of Roy Scheider.

There are admittedly still only two Hollywood stars who can form queues at the box-office even when appearing in rubbish, and Mr Scheider is neither Clint Eastwood nor Barbra Streisand. On the other hand he does now belong firmly to an all-male quintet of Hollywood actors (the other four being Hoffman, Dreyfuss, de Niro and Pacino) who can virtually write their own contracts, and it is an extraordinarily interlocking quintet. Scheider and Hoffman started out together in an off-Broadway production of *Sergeant Musgrave's Dance* and were together a decade later in *Marathon Man*; Scheider and Dreyfuss were together in *Jaws* and Dreyfuss was the original casting for *All That Jazz* until a fortnight into rehearsals he was replaced by Scheider. Again, Scheider was the original casting for the de Niro role in *Deer Hunter*, only to lose it when he found he had an unbreakable contract to make *Jaws 2*.

Scheider only began making movies nine years ago; he was Jane Fonda's pimp in *Klute*, got an Oscar nomination for his very first featured role and since that time has been above the title in *French Connection*, both *Jaws*, *Marathon Man* and *Sorcerer* and was earlier this year back on Broadway in Peter Hall's production of *Pinter's Betrayal*:

"There was a certain irony there, in that the last time Hall and Pinter had been together on Broadway was for *The Homecoming* ten years earlier and I was then leading the striking New York actors who picketed the theatre and interrupted the performances because we felt that we were being at that time totally overrun by British actors and directors and playwrights while far too many of our own people were out of work. That fight cost me two years of my career and every producer on Broadway told me I was a no-good unemployed bum who'd never get work in New York again. But we won through in the end.

"I'm not saying the British should not be on Broadway: I'm saying that there should be no more of them than there are American actors working in London. Do you know when they opened Lincoln Centre, which was supposed to be our National Theatre, they opened with Anthony Quayle in *Galileo*? It was like having your National Theatre opened by Rod Steiger. Some English actors I like a lot; Ralph Richardson could read a phone directory to me, and if you want to see a mind act then I guess there's the Scofield *Othello*, though I always found him a lot more moving in Frankenheimer's *The Train*. It all gets too cerebral over here."

Scheider finds himself once again on strike, this time as part of the Hollywood dispute over residuals:

"Back home I wouldn't even be allowed to do interviews, and it looks like we're in for a long siege. This is a dispute about the future, about the rights of an actor to share in the proceeds of his work when movies are sold to television or cassette: but it's not a straight fight for money. The problem is that, for actors to get their fair share of future earnings, studios will have to make their accounts public and that's what this fight is all about. Accounting practices in the studios have been horrendously suspect, and all that will now have to change: but the studios aren't giving in without a fight. I have a new film called *The Verdict*, a marvellous courtroom story, which we were supposed to start work on this month. Now it may well be the other side of Christmas".

Though conversations last week tended not unnaturally to centre around industrial disputes, it would be wrong to suggest that Scheider is unusually litigious. He is a soft spoken, classically trained 45-year-old actor from Orange, New Jersey, where his father ran a garage and entertained hopes of his son going into something respectable like the law. Scheider's childhood was ravaged by rheumatic fever, and by the time he had recovered from that and three years in the Air Force it was 1960 and he was in New York determined to be an actor.

He got his start as Mercutio (understudied by James Earl Jones) in a Joe Papp New York Shakespeare Festival production of *Romeo and Juliet*, and then spent several years working in the newly created regional theatres of Washington, Boston and the Midwest. His film star image has been deceptive, in that he has made his name in a succession of rugged outdoor action adventures, latterday westerns with the sheriff being replaced by the inner-city cop on the run. His performance in *All that Jazz* (and, by all New York critical accounts and awards, also in *Betrayal*) suggests a far greater range:

"Sure, I'm still a stage actor deep down, though I don't believe all that crap about having to recharge your batteries by getting back on the stage. Batteries don't get much more charged than when you're working with Bob Fosse and a hundred dancers in a Hollywood musical. But I like to know that when I get too old to be a movie star I can get back to the theatre; television is okay in its way, and it's good to see it being used now as an elephant's graveyard for old movie stars like Jimmy Stewart and Karl Malden who want to go on acting but can't find the films. On balance, though, when that happens to me I'd rather go back to the stage. It's a lot more exciting.

"My life doesn't seem to have changed much since I began making movies: I still live in New York" (with a 17-year-old daughter and a second wife who was the film editor on *Breaking Away*) "and I still eat in the same restaurants and go to the movies and read a lot. I guess I'm a little monkish, but I really don't have very expensive tastes. Nor could I ever live in California. You go out to buy an ice cream, and there's a guy talking about the latest movie. When I go out to buy an ice cream, I want to talk about ice cream.

"But I've worked with some marvellous people: Olivier, for instance, on *Marathon Man*. Even though he was still very sick then, and could barely lift the knife he was supposed to stab me with, you'd look into his eyes and suddenly there'd be a flash of Henry V or Archie Rice.

"Then on *Jaws* I was with Robert Shaw: until three o'clock every afternoon the most literate, charming, witty guy I ever knew. Then the rum would get to him and that would be it for the day. And the night.

"I've made 13 films now, and over ten years that's not a very meteoric rise to fame, but there's only one I really regret and that was *Jaws 2*. Not just because it meant losing *The Deer Hunter*, but because it was such a terrible film. I got so desperate that I rang the producer and said I'd throw myself off the top of the Beverly Hills Hotel if he didn't release me from the contract. But he didn't release me and I didn't jump. Like I keep saying in *All That Jazz*, 'It's Showtime, Folks.' and that last film was in many ways the most enjoyable I've ever done. Working with a lot of dancers sure beats working with hubcaps."

Sheridan Morley

Temperament vividly revealed in abstract

Hayward Annual
Hayward Gallery

Joseph Beuys: Stripes from the House of the Shaman; Words Which Can Hear
Anthony D'Offay

Summer Show 2
Serpentine Gallery

Joseph Beuys installs *Stripes from the House of the Shaman*

Pity the poor art critic, faced with an exhibition consisting entirely of abstract paintings. He cannot fall back on the old axiom that one picture is worth a thousand words, since very few abstract paintings, even if they are themselves almost monochromatic, make much sense in a black-and-white photograph. And, even pressing the evocative powers of prose to the uttermost, he will frequently find himself unable to make paintings as different as chalk and cheese sound any different. I was reflecting on this looking at just the first three painters whose work you come upon in this year's Hayward Annual, once you have passed through the two prefatory galleries: Jeffrey Dellow, Patrick Jones and Clyde Hopkins.

They all paint large, fluent, rather splashy free-form abstracts, with a rich and vibrant use of colour. You could say that Jones's paint seems to be thinner and more whispy, with wavy lines occasionally emerging, that Dellow's is distributed in large patches and that Hopkins's is much more intense and dramatic. But to see the three painters' work in close proximity one is immediately conscious of three totally different temperaments and sensibilities and that, exciting to see on the spot, is almost impossible to convey to anyone who is not there and has not seen for himself.

It has often seemed to me that, though people who do not care for abstract paintings say it all looks alike, in fact the great advantage of abstraction is that it shows off (or up) the painter so directly: one official portrait, say, is much like another, and the standard representational genres tend to impose their own conventions on all except the most unquenchably original, but in abstract art temperament comes over nakedly for all to see. Looking round the sections devoted to the 18 current artists selected by John Hoyland for the Hayward this year, you come away with a far more immediate awareness of having been in contact with so many completely distinct personalities (like them or not) than you would, I guarantee, in any comparable show given over entirely to representational painting.

The other interesting thing about the show, which is arguably the best Hayward Annual yet, and certainly much the most coherent, is that it does have a didactic intent, and yet conveys its message graphically even if you did not bother to read the introductions (by Mr Hoyland himself and by Tim Hilton, who assisted him from the Arts Council end) to the catalogue. Entering the show, you might well wonder what you could possibly be in for. Here are two rooms of Matthew Smith, Ben Nicholson and Ivon Hichens, plus several painters of the 1950s, long unfashionable, such as Roger Hilton, Patrick Heron, Terry Frost and Peter Lanyon, and one or two of today's middle generation (Howard Hodgkin, Frank Auerbach) bringing up the rear. Very nice too—particularly the forgotten men of the Fifties—but what is it all for?

Mr Hoyland (examples of whose own painting are modestly absent) soon makes this abundantly clear. What he is saying, more effectively even on the gallery walls than in the catalogue, is that there has been a sort of underground tradition in abstract painting in this country which, running through from the point where Matthew Smith's nudes and Hichens's landscapes almost went over into abstraction, carried on through the 1930s, surfaced again spectacularly in the early 1950s and has been quietly continuing since, through Pop Art and all the vagaries of the 1970s. Many of the painters in this show are already in their forties. They do not form any kind of a group, but, through Mr Hoyland's brilliant idea of bringing them all together and providing this immediate historical context for them, they all find themselves somehow inscribed in the same tradition.

Looking at Paul Tonkin, one of the youngest painters represented, we find ourselves now automatically thinking of Hichens; looking at Albert Irvin's dazzlingly coloured, very specific paintings of unrecognizable objects we think at once of Hodgkin. And it is seldom if ever a matter of direct influence; rather that they are all working within the same emotional and intellectual climate—one which one might, braving accusations of outdated artistic chauvinism, describe as very recognizably British.

There is so much to see, and it is so difficult to describe adequately, that I must urge you to go and see for yourself. When you do, you might care to look particularly at the scrupulously textured, highly atmospheric canvases of Frank Bowling, at Anthony Whishaw's large, long colour-fields with little blobs and trickles of paint (I particularly liked *Down to Sellindge*, all midnight blues and purples with rows of little pink dots), John McLean's delicate, airy washes of colour which he gives titles like *Blinkbonny Wood*, and Clyde Hopkins's Expressionistically looming paintings like *Rooster*, a blaze of yellow emerging from a tangle of dark, bilious colours.

You might also note—sign of the times—the large number of evocative titles like *Red Fandango*, *Blue Lagoon*, *Menrybink* and *Cyprus Sea*. When was the last time you saw a new painting entitled, even tongue-in-cheek, *Where the Bee Sucks*?

When Joseph Beuys is in town, one tends to know all about it. Certainly back in Germany he is inescapable, a public figure in a way that no living artist is here, constantly on television and in the newspapers, endlessly pictured, tall, gaunt, wearing the soft felt hat that is his trademark, so that millions who know or care nothing about modern art can recognize him and know his opinions on issues of the day.

That is undoubtedly a talent. Equally, a talent for publicizing oneself does not necessarily exclude talents of other kinds. But it is not always easy to tell where one leaves off and the others begin. In many respects Beuys was a sort of totem figure for the 1970s, since he did all the things which attracted most attention in those days: he was a performer; he had moved beyond sculpture to the creation of installations and environments; the concept was very important in his work, relative to its realization, and much of it was minimal, at least in the degree of the artist's visible intervention; and, to reassure the faint-hearted, he could come up with all the right-sounding liberal concerns for the state of society to guarantee that the oddest of his works had good and serious intentions.

He still can and does, of course, but the thrill is by now rather gone. Last year there was a major retrospective in New York at the Guggenheim, and, though heroic attempts were made to promote his work as controversial, it was hard at that late date to see much to argue about in a felt-wrapped piano or 20 tons of tallow fat poured into a mould taken from an abandoned corner of a concrete underpass and then cut into five hefty elements. Social responsibility may be, as approving German critics insist, the core of Beuys's "sculptural thinking", but to less sympathetic observers it mostly seems these days like so many more ventures into the higher silliness.

Some hint of all this may be gathered from the two adjacent shows at present devoted to him in London. One, in Anthony D'Offay's old gallery at 9 Dering Street, consists entirely of his drawings, which have been described as "mediumistic". It is a good word: they are often like the random scribbles of a ouija board, with sometimes a recognizably animal or human form emerging, and appear to be pages selected arbitrarily from thousands dashed off in spare moments. Just round the corner is the new D'Offay Gallery (23 Dering Street), for which large, bare, formerly industrial space a new work has been created: *Stripes from the House of the Shaman* consists of slightly radiating strips of Beuys's beloved grey felt laid along the floor and rising up at the back towards the ceiling. I suppose it could be said that this dramatizes the space (which does look as though it will be a very useful new addition to London galleries), but primarily it exudes a dainty period odour. My dear, how divinely Seventyish! Could we have one for our cabinet of curiosities, do you think?

Not, mind you, that Beuys is the only artist around these days who loves to use in his art materials which would never previously have been considered passably artistic. Though a lot of artists, like those in the *Hayward Annual*, seem to be trickling back to more or less what we would recognize (and what earlier generations might recognize) as painting and sculpture, the freedom the last few years have given is still being used to effect. The first section of the Serpentine's *Summer Shows* was relatively traditional in its means and ends. The second, which is on until Sunday, is rather more exploratory. Virtually none of the eight artists included can be fitted into a traditional pigeonhole: only, perhaps, Wendy Smith, who does meticulously rigid pen-and-ink drawings somewhat related to Op Art, and to a lesser extent Peter Lloyd-Jones, who shows, along with assemblages of artist's tools and collages of ephemera, two series of paintings which modify their basic photographic images (of someone laughing, of two girls sitting together) in various directions away from and back again towards detailed representation.

For the rest, we have two creators of installations, Leigh Crampton and Pete Johnson, who both build up screen-like constructions and cover them with photographic and painted images enlarged, combined and worked over in such a way that they cease to be representational. We have two photographers, very different: Colin Barnes, who offers a collection of small black-and-white pictures taken with a pin-hole camera, suggested by the experience of a camera obscura (not very interestingly, I thought); and Mari Mahr, whose work consists of rather campy staged recreations of cliché moments from old Hollywood movies glimpsed on television, pointed up by corny-dialogue captions. Then there is Stephen Johnson, with another sort of installation, this time vaguely sculptural, consisting of a lot of things that look like thick wires or thin metal rods (I am not sure what they actually are) hanging down the four walls of one room. And Richard Wincar, whose medium looks suspiciously like pokerwork. Indeed, I rather hope it is, as that would really be something exotic and inventive to resurrect for artistic use, though I suppose in fact his fishy tales are merely stencilled on to rough wood fences.

It may well be simply that I am more naturally responsive to works in traditional media, but I must confess I found this selection of new art (made by Tony Carter) much less appealing than the last: Peter Lloyd-Jones, as a painter and collagist rather than an assembler, is the only one of the new batch who at this point sparks my further interest. But at least the show has a certain coherence of its own, and leaves one well-disposed, if not exactly champing at the bit, at the prospect of part three in September.

John Russell Taylor

Feminist Fringe

Under a succession of bright directors, from Jim Haynes to Michael Rudman, Mike Ockrent and Chris Parr, Edinburgh's Traverse Theatre has proved itself time and again as a nurturing ground for writers. There is no coddling of weak talents but there is a commitment of support that is matched only by London's Soho Poly and which is more consistent than that of the Bush, Warehouse and Hampstead theatres. In a typical gesture of confidence, Mr Parr has revived a play which was first presented last March and, although it appeared late in the second week, it has overshadowed most of the Fringe Festival offerings.

The play is called *Hard to Get*, and the author is Marcella Evaristi, a young Glaswegian with a distinct talent for lively comic exchanges. *Hard to Get* is a feminist play, but it is far from being a feminist tract.

Miss Evaristi opens with a deft display of stagecraft that is reminiscent of Harold Pinter's review sketches and, though she changes the shape of her structure halfway through the play, she shows a firm control over her characters that survives a time-span of 13 years.

What she manages in the opening moments is a finely-balanced display of two separate seductions, contrasting one woman's loss of virginity in 1962 to another woman's most sophisticated surrender in 1970 and, though the panoramic structure leads to some awkward statements of dates to keep the audience in touch with the progression of years, she brings off the eventual meeting of the two couples with skill. The oddity, and strength, of the play is that Miss Evaristi's most complete character is the older woman and not the knowledgeable, aggressive woman of her own generation.

Maureen Beattie matches Miss Evaristi's sympathy for the character in her own fine performance of the part, progressing from dowdy insecurity to seemingly assured independence. Her character appears to flower in divorce, but there is a bitter twist as her independence is merely an accommodation to disguise her misery. She has given up being a wife in order to keep her husband by becoming his mistress.

The production by Michael Boyd is sensitive to the delicacies of Miss Evaristi's language and paces itself well for the comedy. Although the play does not create four entire lives, it shows a writer with a distinctive voice and a welcome breadth of understanding.

The Traverse is also offering a place to the writer and performer Andrew Dallmeyer, a man who is to the Edinburgh fringe what pantomimes are to Christmas. One of his three entertainments this year is the Traverse's late-night *Yobs and Snobs*, which is a musical fairy-tale about a rich girl and a poor boy who each abandon their class origins—he for business, she for communism. It is slight, charming and fresh, with a richly comic performance by Robbie Coltrane as the upward-climbing yob

Over at the Oxford Theatre Group's home in St Mary's Street Hall, the young playwright Doug Lucie, who has been showing promise for five years, shows even more promise with *Poison*, a play which has intentional echoes of Chekhov's *Three Sisters* as amplified through snorts of cocaine. Its real debts are probably to the films of Bette Davis and Joan Crawford, but it manages to present four sisters who interact realistically in a somewhat lurid Kensington of upper-class solidarity, debauchery and incest. It is very well acted.

Ned Chaillet

SPORT

Cricket

England let down again by batsmen

By John Woodcock
Cricket Correspondent

LORD'S: Australia, with eight second innings wickets in hand, lead England by 286 runs.

In lovely batting weather and before a large and forgiving crowd, England succeeded in being bowled out for 205 in the Cornhill centenary Test match yesterday. By close of play Australia, in their second innings, were 106 for two. Because of the loss of so much time last week, England should not be beaten, other than morally, but I would certainly not count on it.

It was a grand day's cricket, badly as England, or most of them, batted. What is more, it was free from delay, if not entirely from controversy. As a consequence of Saturday's fracas in the pavilion, which, though greatly to be regretted, involved no more than two or three out of several thousand members, MCC issued the following statement:

"Inquiries instituted today into the behaviour of certain MCC members towards the umpires and the captains on Saturday leave no doubt that their conduct was inexcusable in any circumstances. Investigations are continuing and will be rigorously pursued with a view to identifying and disciplining the culprits. Meanwhile the club is sending to the umpires and to the captains of both sides their profound apologies that such an unhappy incident should have occurred at the headquarters of the game and on an occasion of such importance."

When Old came in yesterday afternoon, at 173 for eight, England still needed 13 runs to avoid the follow-on. With a square cut for four and a hook for six in one over from Bright, Old put England into the clear: to have got themselves into such peril, though, was another reminder of the quite dismal standard of their batting.

At 150 for three England had been cruising. It is a long time since Boycott was to be seen batting so skittishly in a Test match. This was more his one-day form. Early in his innings he was jumping up and down in the crease like a boxer in his corner awaiting the bell. Boycott played splendidly and it was as well for England that he did.

He lost Gooch in the third over of the day, caught at backward short leg after the idea of a hook had been thwarted. When Athey, having promised quite well, played on to Lillee, trying to force him into the covers, England were 41 for two. Play had started at 11 and was to continue until seven, and it was while Boycott and Gower were together that the game, like the day, warmed up.

The pitch was expected to suit, if anyone, the spinners. Instead, of the 12 wickets to fall, 11 were taken by the faster bowlers. Lillee had four for 42 and Pascoe five for 59, all of Pascoe's coming in his last 32 balls at a cost of 15 runs. They both began by bowling at Boycott from round the wicket, as the West Indians took to doing towards the end of the recent series. In Lillee's case this seemed strange: he has caused Boycott trouble enough from over the wicket and is a fine enough bowler to have less need than the West Indians to resort to intimidation.

Gower did enough to have booked his passage to the West Indies this winter. The one disappointment about Gower was the all too careless way in which he was out. He had been at his best in one over from Lillee in which, off successive balls, he hooked two fours and drove another. These were gorgeous strokes. When, after that, he became rather bogged down, he kept his head. At lunch he was 32 out of England's 117 for two. Half an hour afterwards he departed, pulling wildly at Lillee.

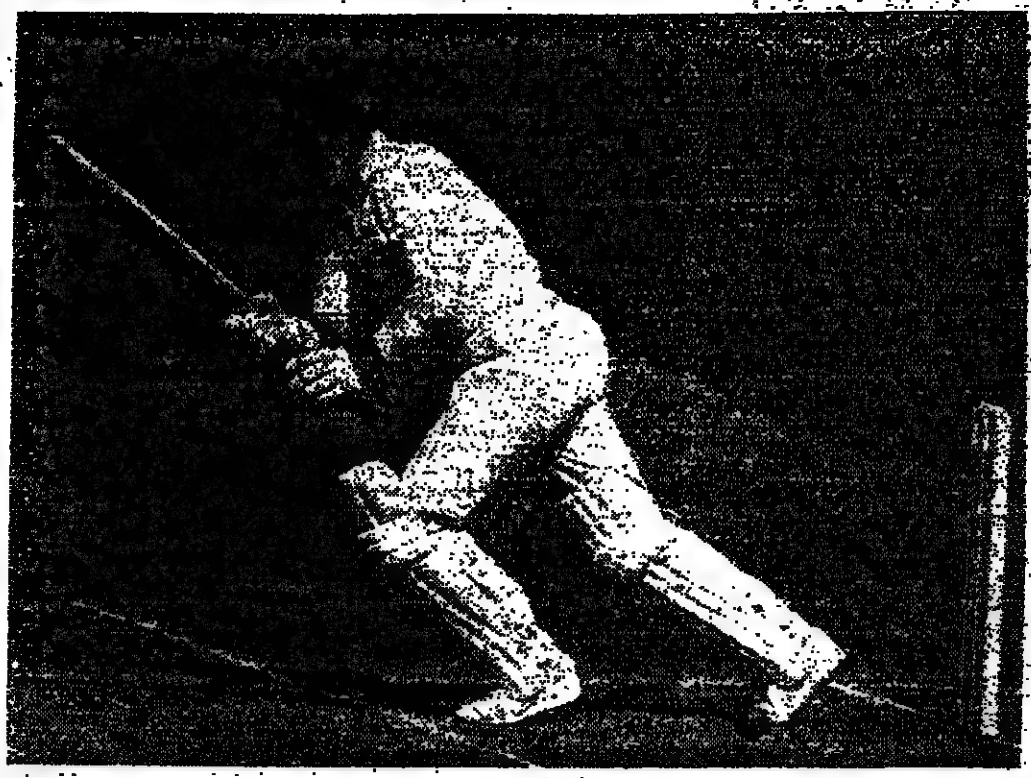
Lillee took his fourth wicket when he had Boycott caught by Marsh. Although it was also his last, he had, as was fitting, left his mark on the match. At 155 for four Lillee was replaced by Pascoe, who proceeded to induce, and take advantage of, some wretched English batting. Botham, keen to get the game on the move again, hooked at Pascoe and was out to a tumbling catch by Wood, running to his right at mid-on.

Within less than an hour England's innings was over. Willey, Bairstow, Emburey and Gatting were all leg-before to Pascoe, the umpire Constant giving them out as they hit across the line. Whereupon Old, delighted to be welcomed not by speed at both ends, as he usually is, but with spin at one, came and made his useful contribution.

With Australia leading by 180, England were prepared for an all-out evening assault. Instead, after 70 minutes, Australia were 28 for two. Laird had taken as long as that to make six when, losing patience, he was caught at the wicket off Old. Wood had been leg-before by then, also to Old. Hendrick and Old bowled pretty well; Emburey, with six men on the leg side, contained effectively. It took Hughes and a somewhat wayward Chappell to put England under pressure. In the last 65 minutes these two added a polished and forceful 78.

The controversy, such as it was, had to do with an umpiring decision by Constant when, to the consternation of one or two of the England side, he gave Laird not out after he had been sent back by Wood, and Athey, running in from extra cover, had thrown down the bowler's wicket. Upset, I imagine, by passing remarks, Constant spoke to Botham and then to Bird. It was but a small matter after Saturday's disagreements.

One thing that could still make this an awkward game for England to save is a ridge at the nursery end, which after several years has reappeared. It is not as prominent as it was in the sixties, but it is just the length for Lillee's liking. The match, though well behind the clock, is not quite over yet, especially with England's flair for collapse.



Boycott: showing his one-day form in a valuable innings for England.

AUSTRALIA: First innings, 385 for 5 dec (K. J. Hughes 117, G. M. Wood 112, A. R. Border 56 not out).

Second Innings

B. M. Laird, c Bairstow, b Old ... 6
G. M. Wood, l-b-w, b Old ... 8
*G. S. Chappell, not out ... 47
K. J. Hughes, not out ... 38
Extras (b 1, l-b 5, n-b 1) ... 7

Total (2 wkts) ... 106

G. N. Yallop, A. R. Border, †R. W. Marsh, D. K. Lillee, A. A. Mallett, R. J. Bright and L. S. Pascoe to bat.

FALL OF WICKETS: 1—15, 2—28.

BOWLING: Old, 13—4—24—2; Hendrick, 12—4—36—0; Emburey, 7—2—22—0; Botham, 7—1—27—0.

ENGLAND: First Innings

G. A. Gooch, c Bright, b Lillee ... 8
G. Boycott, c Marsh, b Lillee ... 62
C. W. J. Athey, b Lillee ... 9
D. I. Gower, b Lillee ... 45
M. W. Gatting, l-b-w, b Pascoe ... 12
*I. T. Botham, c Wood, b Pascoe ... 0
P. Willey, l-b-w, b Pascoe ... 5
†D. L. Bairstow, l-b-w, b Pascoe ... 6
J. E. Emburey, l-b-w, b Pascoe ... 3
C. M. Old, not out ... 24
M. Hendrick, c Border, b Mallett ... 5
Extras (b 6, l-b 8, n-b 12) ... 26

Total ... 205

FALL OF WICKETS: 1—10, 2—41, 3—137, 4—151, 5—158, 6—163, 7—164, 8—173, 9—200, 10—205.

BOWLING: Lillee, 15—4—43—4; Pascoe, 18—5—59—5; Chappell, 2—0—2—0; Bright, 21—6—50—0; Mallett, 7.2—3—25—1.

Umpires: H. D. Bird and D. J. Constant.

Middlesex owe much to their fast bowlers

By Alan Gibson

CARDIFF: Middlesex, with all their second innings wickets in hand, lead Glamorgan by 43 runs.

Middlesex began this match needing 10 points for the championship. So far, they have taken five. Play did not start on Saturday until a quarter past five, and even then was interrupted. Middlesex, 41 for three at yesterday's start, were all out for 163, in 53 overs.

This gave them one point for batting and it did not look as if they would get even this when they were 127 for nine. Radley and Edmonds were the only men to have made more than a few runs at that point.

Nash and Moseley were taking the wickets. Ezra Moseley finished with the best figures of his brief but successful career. The pitch was lively for the quicker bowlers, but the weather was fine: in the afternoon it became positively hot. I thought that Glamorgan might score well, if they did not lose too many wickets while the pitch was drying.

But, in the meantime, there came van der Bijl. What a stroke of luck or wisdom it was for Middlesex when they signed him on! I did have my doubts whether, unaccustomed to it, and not young, he would survive the grind of a full championship cricket season. He seems to have taken it in his enormous stride.

He has not only been a very successful bowler, but a scourge to the opposition in the later batting, especially when runs have been needed. Yesterday, he scored all the runs from the bat in the last wicket partnership of 46, and gave Nash some considerable clonking, especially to the short pavilion boundary. When, in the afternoon, mopping the sweat from his bald dome, he bowled fast and to a full length, and had Glamorgan constantly in trouble.

The man's energy is astonishing. Of course, he is a big man. Wilfred Wooller said in the morning: "I am considering an appeal under law 46. To have a man so big as that on the other side can't be fair play." With Daniel, van der Bijl makes a formidable opening attack, which will have done as much as anything, except possibly Brearley's captaincy, to win Middlesex the championship—I am assuming that no unspeakable disasters happen.

Glamorgan went in to bat just before luncheon, and lost Alan Lewis Jones leg-before to Daniel; soon after luncheon, Daniel yorked Francis: 20 for two. The afternoon was sustained for Glamorgan by Hopkins, who never looked quite at ease, but remembered the old maxim that in cricket there is no crisis, only the next ball.

MIDDLESEX: First Innings

*J. M. Brearley, c E. W. Jones, b Moseley ... 3
P. R. Downton, c E. W. Jones, b Moseley ... 3
C. T. Radley, c Francis, b Nash ... 40
G. D. Barlow, c Hopkins, b Moseley ... 2
M. W. W. Selvey, c Hopkins, b Nash ... 22
R. O. Butcher, b Moseley ... 14
W. N. Slack, c Hopkins, b Moseley ... 4
P. H. Edmonds, l-b-w, b Nash ... 21
V. A. P. van der Bijl, c Featherstone, b Moseley ... 40

Football

Scots will wage world war without Wallace

By Norman Fox
Football Correspondent

Recent performances by Scotland have hardly suggested that players valued at over £1 million could justifiably be ignored. Jock Stein, the manager, has chosen to do that for a World Cup qualifying group six match in Sweden on Wednesday week. Ian Wallace, transferred from Coventry City to Nottingham Forest for £1,250,000 in July, is not to be considered.

Mr Stein, in announcing a party of 19 players, said: "Wallace played better at the weekend when he scored two goals against Stoke, but he's got plenty of time and at the moment I've got Archibald, Gray and Dalglish as my three front men and I'm happy with them." After Scotland lost 2—0 to England at Hampden Park in the home international championship last May, his satisfaction would not have found universal sympathy. The Scots, albeit weakened by absentees and injuries, then went abroad to lose to Poland and Hungary.

At least Mr Stein can attempt to form the foundation of fresh hope by including in his party two of Nottingham Forest's most experienced players, Robertson and Burns, and the graceful young Liverpool central defender, Hansen, all of whom missed Scotland's end-of-season matches. He must still be concerned about that enduring problem of finding a thoroughly reliable goalkeeper. Rough now finds his position threatened by the recalling of Blyth after two years.

Two of Manchester United's Scots, Jordan and McQueen, are unavailable because of injury, although Mr Stein seems intent on having Gray in the attack with Dalglish, so Jordan may not have been considered even if fit. Gray replaced Aitken during the match against England but gave a lethargic performance and did not go to Poland or Hungary.

In the near future Mr Stein will have to consider whether it is time to allow the talented midfield player Strachan to become the cornerstone of the team in the manner of a new Gemmill. More than anything, Scotland need inspired leadership after several performances in which there was little relevant teamwork. As always, a glance at the party seems to indicate outstanding potential. The same was said before Argentina and it is that memory and that reputation that Mr Stein still has to erase.

The England manager, Ron Greenwood, is to name his party today for the World Cup qualifying game with Norway at Wembley, also Wednesday week, and it seems likely that Keegan, who has had a hamstring injury, will be included.

SCOTLAND (v Sweden, September 10): A. Rough (Partick Thistle), W. Thomson (St Mirren), J. Blyth (Coventry City), F. Gray (Nottingham Forest), A. McLeish (Aberdeen), A. Hansen (Liverpool), D. McGrain (Celtic), K. Burns (Nottingham Forest), W. Miller (Aberdeen), G. Burley (Ipswich Town), D. Cooper (Rangers), G. Souness (Liverpool), A. Gemmill (Birmingham City), D. Narey (Dundee United), G. Strachan (Aberdeen), S. Archibald (Tottenham Hotspur), K. Dalglish (Liverpool), A. Gray (Wolverhampton Wanderers), J. Robertson (Nottingham Forest).

SCOTLAND UNDER-21 (v Sweden, Degerfors, September 9): McCulloch (Kilmarnock), Brough (Hearts of Midlothian), Stewart (West Ham United), Connor (Ayr United), Nicol (Ayr United), Gillespie (Coventry City), Fulton (St Mirren), McLaughlin (Morton), Blair (Coventry City), Watson (Aberdeen), Bett, Redford, Macdonald (all Rangers), Logan (St Mirren), Nicholas (Celtic), Brazil (Ipswich Town), McBride (Everton), Hoggan (Bolton).

Johnston's choice is England

The Middlesbrough midfield player Craig Johnston has decided his international future is with England rather than Scotland after weekend talks with Ron Greenwood and Jock Stein. Johnston, who was born in South Africa and brought up in Australia, has a wide international choice through family and residential qualifications.

Mr Stein, the Scottish manager, was disappointed after asking the 20-year-old Johnston to play for the Scottish under-21 team on seeing him in action against Manchester City on Saturday. Johnston made his decision after he had telephoned his father in Australia.

"England are the best and I want to go to the top", he said. "I thought I would have scared off Mr Stein with my performance against Manchester City. I was well below my best. I know I might have a better chance on the international scene with Scotland, but I am prepared to take my chance with England."

Johnston, who will take out British citizenship this week, could be named in Greenwood's party for the under-21 international with Norway at Southampton on September 9.

Everton face FA. Everton were among seven league clubs who faced an FA commission in Birmingham yesterday to discuss last season's dismal disciplinary record. The others were Barnsley, Bury, Crewe, Hereford, Port Vale and Rochdale—and all stand to be fined. "We will write to them with any action to be taken", said an FA spokesman. On Monday Sheffield United, Millwall and Gillingham face a similar inquiry at the FA's headquarters in London.

Bradford City unchanged for supreme test

The fourth division club Bradford City will certainly complete the biggest shock in League Cup history if they preserve their slender one-goal advantage against the League champions Liverpool at Anfield in tonight's second leg of the second round tie.

City's unchanged side will face Dalglish who missed the first leg through injury. The Liverpool manager Bob Paisley defers a final choice, adding Money, Lee and Fairclough to the side that beat Norwich 4—1 on Saturday.

The holders, Wolverhampton Wanderers, face a far greater threat of elimination against Cambridge United. Brazier, Hibbitt and Parkin all face tests before John Barnwell, the club's manager, finalises his line-up that has to make up a 3—1 deficit at Molineux.

"We all know what went wrong in the first leg, but we have been in holes before and crawled out", said Mr Barnwell. "We will be very upset if we lose our grip on the cup this early."

Ipswich who also lost their first leg by 3—1, to Middlesbrough, hope to have their central defender Butcher fully recovered from a back injury in time to help them retrieve the leeway at home. Arsenal, who drew 1—1 at Swansea last week, may be less fortunate with their centre half O'Leary, who is extremely doubtful. Walford stands by to deputize at Highbury.

Keegan may be another of tonight's absentees but Southampton will not be unduly concerned if his hamstring strain prevents him appearing in their match at Watford for they hold a 4—0 lead.

One man definitely out of contention is Nicholas, Crystal Palace's Welsh international midfield player. He damaged ankle ligaments in training and will miss not only the game against Bolton Wanderers, who are 3—0 down, but the next four or five league games. He has also withdrawn from the Welsh Under-21 party for the game in Holland.

Two clubs, who trail 1—0, face problems of a different nature. Manchester United, who go to Coventry, will once again be attempting to conceal the fact that they are without five first team players, and Leeds, who receive Aston Villa, will be banking on no recurrence of supporters' demonstrations against their manager Jimmy Adamson.

The Leeds vice-president, Rayner Barker has appealed to fans to end the campaign. "They are affecting the performance of the players and damaging the image of the club", he said.

Stoke City have failed in an attempt to have tomorrow's tie leg at Manchester City postponed. Alan Durban, the Stoke manager, informed the League yesterday of his alarming injury and illness crisis which has threatened to rob him of ten players but was told the game must go ahead.

Last night's results

ALLIANCE PREMIER LEAGUE: Bob Lord Trophy: First round, second leg: Bath 1, Gravesend 1 (Bath won 4—3 on aggregate); Worcester 1, Bangor City 3 (Worcester won 5—3 on aggregate).

SOUTHERN LEAGUE: Midland Division: Bedford 3, Witney Town 3; Taunton 1, Minehead 2. Southern Division: Chelmsford 3, Hounslow 2; Salisbury 0, Gosport 2.

ISTHMIAN LEAGUE: Premier Division: Croydon 1, Dagenham 1. First Division: Tilbury 2, Clapton 0.

FA YOUTH CUP: Preliminary round: ...

Today's football

Can do better—term report on bottom of the form

By Richard Streeton

BLACKPOOL: Essex, with all their first innings wickets in hand, are 191 runs behind Lancashire.

Batting was seldom a straightforward matter at Stanley Park yesterday and Denness and McEvoy did well to play through the final 80 minutes without being separated. Though the pitch is expected to take spin today, the complete loss of Saturday's play means there will have to be a certain amount of cooperation between the captains if a decisive result is to be obtained.

During a day of mixed sunshine and cloud, the match often reflected the course these two sides have followed throughout the season. Just as schoolteachers start to ruminate about the reports they must eventually write before the term ends, so do cricket watchers reflect at this stage of the summer upon what has gone before for their teams.

Lancashire, lying near the bottom of the table, have found runs elusive, with the stand-ins for Wood and, until recently, Clive Lloyd, not quite ready yet for their responsibilities. In addition, Malone, their Australian fast bowler, has had a strained thigh a lot of the time and they lacked therefore an all-important main striking force. He is not playing in this game because of an inflamed elbow.

Essex, the reigning champions, before the present series of matches were in ninth place among the 17 counties, though it is an indication of how little there is between most teams these days that both Essex and Lancashire have each had four wins.

Fowler hit over a full toss; some sensible strokes by Simmons came to an end with a bat and pad catch and when O'Shaughnessy played back fatally Lancashire were 181 for eight. Hughes and Allott then unexpectedly stayed together for 19 overs and brought Lancashire a second bonus point.

This had already been gained by tea when Lancashire were 220 for eight from 82 overs and there were some who felt Hayes at this juncture might have declared. He did not do so and the stand was worth 54 when it ended with Hughes swinging wildly at a flier down the leg side from Phillip.

Hogg, the only Lancashire player to be sounded out by the selectors for availability for the winter tour, hardly looked likely to be a danger on Caribbean pitches when Essex batted, though he did have McEvoy dropped at slip. Denness did not look entirely composed as the light worsened and play finally ended ten minutes early.

On a drying pitch, which became easier as the day progressed, several of the Lancashire batsmen brought about their own downfall. David Lloyd was unable to deal with a lifting ball, the third ball bowled at the start, and Kennedy, too, got an awkward one that lifted as he played forward and edged a catch to gully. But several of their successes departed clearly blaming themselves.

Hayes and Clive Lloyd threatened a long and entertaining partnership for the third wicket before Hayes swept unwisely on one knee and missed. Hayes's batting for 100 minutes had been a mixture of struggle and sweet timing. Lloyd looked ominously determined but soon after lunch hooked a simple catch to long leg. Reidy showed some determination and had just found the confidence to lift Turner for six when two balls later he checked a similarly belligerent stroke halfway through and gave a tame return catch.

LANCASHIRE: First Innings

A. Kennedy, c Herbert, b Phillip ... 21
D. Lloyd, c McEwan, b Lever ... 4
*F. C. Hayes, l-b-w, b Acfield ... 41
C. H. Lloyd, c Lever, b Turner ... 33
B. W. Reidy, c and b Turner ... 38
G. Fowler, b Acfield ... 11
J. Simmons, c Hardie, b Lever ... 24
S. J. O'Shaughnessy, l-b-w, b Acfield ... 8
D. P. Hughes, c McEwan, b Phillip ... 32
P. J. W. Allott, not out ... 30
W. Hogg, l-b-w, b Acfield ... 0
Extras (b 1, l-b 5, n-b 2) ... 8

Total (98.4 overs) ... 244

FALL OF WICKETS: 1—4, 2—58, 3—80, 4—114, 5—134, 6—163, 7—181, 8—181, 9—235, 10—244.

BOWLING: Lever, 21—2—61—2; Phillip, 13—2—32—2; Turner, 19—4—53—2; Acfield, 31.4—10—72—4; Herbert, 5—0—18—0.

ESSEX: First Innings

M. H. Denness, not out ... 21
M. S. A. McEvoy, not out ... 30
Extras (n-b 2) ... 2

Total (no wkt, 22 overs) ... 53

D. R. Pringle, *K. W. R. Fletcher, K. S. McEwan, B. R. Hardie, S. Turner, N. Phillip, R. Herbert, D. L. Acfield and J. K. Lever to bat.

Bonus points: Lancashire 3, Essex 4.

Umpires: R. Herman and C. T. Spencer.

Leicester v Warwicks

AT LEICESTER

LEICESTERSHIRE: First Innings

J. C. Balderstone, c Humpage, b Hopkins ... 30
B. Dudleston, b Hopkins ... 50
T. J. Boon, b Doshi ... 11
*B. F. Davison, b Perryman ... 42
N. E. Briers, b Doshi ... 40
R. W. Tolchard, not out ... 34
P. B. Clift, b Doshi ... 21
D. A. Wenlock, not out ...

Notts v Hampshire

AT NOTTINGHAM

Nottinghamshire (17 pts) beat Hampshire (4) by an innings and 22 runs.

HAMPSHIRE: First Innings, 100 (P. J. Hacker 6 for 35).

Second Innings

T. M. Tremlett, l-b-w, b Rice ... 0
C. L. Smith, c Birch, b Hadlee ...

Yorkshire v Northants

Derbyshire v Sussex

AT DERBY

Total (5 wkts, 89.5 overs) ... 240

G. Miller, R. W. Taylor, P. Newman and S. Oldham to bat.

FALL OF WICKETS: 1—22, 2—83, 3—81, 4—232, 5—237, 6—240.

Bonus points: Derbyshire 3, Sussex 6.

Umpires: R. Julian and D. O. Oslear.

Worcestershire v Kent

AT WORCESTER

Total (2 wkts) ...

FALL OF WICKETS: 1—6, 2—48.

WORCESTERSHIRE: First Innings

G. M. Turner, not out ... 103
J. A. Ormrod, c Cowdrey, b Underwood ... 21
P. A. Neale, c Rowe, b Johnson ... 16
Younis Ahmed, st Knott, b Underwood ... 6
E. J. O. Hemsley, not out ... 18
Extras (n-b 4) ... 4

Total (3 wkts dec, 43 overs) ... 168

S. P. Henderson, P. B. Fisher, H. Alleyne, *N. Gifford, A. P. Pridgeon and M. Saunders did not bat.

FALL OF WICKETS: 1—75, 2—122, 3—137.

BOWLING: Jarvis, 7—0—37—0; Kemp, 12—0—29—0; Underwood, 15—2—58—2; Johnson, 9—3—40—1.

Bonus points: Worcestershire 3, Kent 1.

Umpires: D. Dennis and B. Meyer.

Sad Hampshire are reduced to ruins

Clive Rice and Richard Hadlee, of Nottinghamshire, destroyed Hampshire at Trent Bridge yesterday. Both took five wickets as Hampshire were all out for 58 and lost by an innings and 22 runs.

Hadlee, playing in his last championship match at Trent Bridge, took five for 32, his captain, Rice, five for 25. At one stage Hampshire were 29 for nine but a last-wicket partnership between Malone and Southern doubled their total.

Nottinghamshire struggled to make 180, a first innings lead of 80. Todd made 59 but after his dismissal Nottinghamshire lost wickets with alarming regularity against Marshall and Tremlett. Marshall took three for 49, Tremlett five for 30, the best analysis of his career.

Kirsten, the South African who has been breaking Derbyshire records this season, equalled another when he completed his sixth century against Sussex at Derby. This matched the feat of Les Townsend in 1933, the only other Derbyshire player to score six centuries in first class matches in one season.

It was a restrained innings by Kirsten's standards and enabled Derbyshire to recover from a bad start. They reached 240 for six in reply to Sussex's 304 for six. Kirsten shared in a stand of 151 with Walters for the fourth wicket.

Glenn Turner continued his progress towards a century of centuries when making an unbeaten 103 before Worcestershire declared 32 behind Kent at Worcester. His 89th hundred included 11 boundaries as Worcestershire made 168 for three in reply to Kent's 200 for six.

Minor counties

HIGH WYCOMBE: Hertfordshire 94 (S. A. Mehar 7 for 17) and 215 (P. E. Neal 61, P. C. McEwan 58, Mehar 5 for 41); Buckinghamshire 164 (R. L. Johns 6 for 37) and 52 (B. G. Collins 5 for 29). Hertfordshire won by 93 runs.

SCUNTHORPE: Staffordshire 269 for 3 dec (P. N. Gill 144, N. D. Cook 68) and 176 for 9 dec (I. S. Warner 52, D. Marshall 5 for 76); Lincolnshire 234 for 9 dec (G. Robinson 106, R. Flower 6 for 62) and 154 for 8 (D. G. Nicholls 6 for 37). Match drawn.

Holder not held

The West Indian pace bowler, Vanburn Holder, has not been retained by Worcestershire for next season.

Today's fixtures

CENTENARY TEST MATCH
LORD'S: England v Australia (11.0 to 7.0).

COUNTY CHAMPIONSHIP (11.0 to 6.30)
DERBY: Derbyshire v Sussex.
CARDIFF: Glamorgan v Middlesex.
BLACKPOOL: Lancashire v Essex.
LEICESTER: Leicestershire v Warwickshire.
WORCESTER: Worcestershire v Kent.
LEEDS: Yorkshire v Northamptonshire.

Gifford looks west

Norman Gifford, who stands down as Worcestershire captain at the end of the season, is to lead an international team on a three-match trip to California as the highlight of his testimonial year in 1981. Ian Botham, David Gower and Graham Gooch have accepted invitations to play for Gifford's team.

Yachting

Final round could yet be settled in protest room

From John Nicholls
Newport (RI), Sept 1

After winning their third race in a row the Australians are now well in command of the French in the final round of the best-of-seven series here to determine a challenger for the America's Cup. Yesterday, in a moderate breeze, Australia was ahead of France 3 from a few minutes after the start and won as she pleased.

Australia seemed altogether better organized and better sailed, making the most of every windshift. The race ended in thick fog which, if it persists, will prevent racing today. It was later confirmed that in any case France 3 has requested a lay day.

In terms of absolute boat speed there seems little to choose between Australia and France 3, and once a race has settled down the two boats seem to circulate the course at roughly the same speed. Australia might have the edge in wind speeds of less than 15 knots, with France 3 being better above that point, but there is not much in it.

What has been apparent in the earlier races is that given an equal start with France 3, Australia accelerates quicker away from the line. Whether this is a function of the boat's design or is due to better handling is not certain, but Bruno Trouble, helmsman of France 3, thinks it is the latter. After the second race he admitted that he and his crew take too long to settle down at the start of a windward leg.

This seemed to be true throughout the race. Australia consistently opened away at the beginning of each beat, then France 3 would either stabilize her position or even, in the fresher breezes, gain a few seconds. On the downwind legs the French boat would pull back a little more time, but she was never quite close enough to Australia at the leeward mark to escape the inevitable cover.

Clearly, France's only tactic to counter Australia's initial acceleration is to start ahead. Simply to be alongside, with both boats sailing fast across the line is not enough: it yields the start to Australia. For not only does France 3 move away relatively slowly—she cannot be squeezed high on the wind.

Again Trouble is aware of this handicap, which is attributed to the size of France's keel, smaller than any of the other 12 metres. It allows her to tack quickly and contributes to her downwind ability, but she cannot outpoint another boat without sacrificing speed.

It is likely, then, that we can expect to see more aggression from France 3 at the start, so that Australia is at least slowed down. Aggression often leads to protests, so there is still the possibility that this round could be settled in the protest room rather than on the water.

Golf

Lyle ready to defend European title

Sandy Lyle is fit and ready to defend his title in the European open golf championship, which begins at Walton Heath on Thursday. This was confirmed yesterday by his manager, Derrick Pillage.

Lyle returned from the world series in America last week feeling a recurrence of the glandular fever that afflicted him over a year ago. He had to withdraw from the Swiss open last week, but Mr Pillage said: "A week's lay-off has done Sandy a world of good. The doctor has told him it will take about another two years before he gets the fever completely out of his system and he must rest now and again."

Lyle's absence from Switzerland gave Greg Norman first place in the European moneywinners' list again. He leads Lyle by just over £1,000, but this could radically change, as it did 12 months ago.

Lyle played a practice round yesterday in preparation for today's pro-am event. So did Doug Sanders, Gene Littler and Peter Oosterhuis.

At Leatherhead, Paul Way, 17-year-old Sussex player who won the de Beers junior championship and qualified for the Open this season, needed a birdie three at the 18th to join Billy McAdam (Lavender Park) in a tie for the lead on 67. But he hit two comparatively simple approach shots out of bounds, missed the green with the next, chipped and took two putts for a nine, and finished with 73, three over par.

Despite an appeal, the 19... international team ban on K. Brown seems unlikely to be lifted. This was implied yesterday in the announcement that England, Ireland, Scotland and Wales teams for the World Cup in Bogota, Colombia, in December will be nominated at the conclusion of the European championship.

Brown was banned from international competition this year after incidents during the Ryder Cup match in the United States 12 months ago. The ban applies to the Britain and Ireland team for the Hennessy Cup match against the Continent at Sunningdale next week, and the World Cup, in which Brown partnered Lyle in Greece last year when Scotland finished runners-up to the United States.

Brown has appealed for the ban to be modified but this will not be heard by the tournament committee until September 17.

ENDICOTT (New York): 271: Pooley, 68, 69, 66, 68. 273: P. Jacobsen, 70, 66, 69, 67. 275: L. Trevino, 72, 64, 67, 70; H. Twitty, 67, 69, 68; B. Murphy, 69, 68, 70. 274: T. Diehl, 70, 68, 69, 67; D. Johnson, 68, 69, 67, 71. 276: Bryant, 70, 69, 65, 72.

SPRINGFIELD (Illinois): 206: Carner, 73, 65, 69. 207: N. Lopez-Melton, 65, 71, 71. 210: L. Garbacz, 70, 70, 70; S. Palmer, 69, 72, 69; Chillemi, 69, 73, 69. 211: J. Blalock, 70, 71, 70. 212: C. Chamberlin, 69, 70; J. Washam, 72, 68, 72.

Rugby Union

Johnson makes a success of his new job

The England B flanker, Steve Johnson, will captain the John Player Cup holders, Leicester, in their first match of the new season, at Nuneaton tonight. He led the club during their successful tour of Australia and Fiji last month, when they won five games out of six, and continues to deputise for the club captain, Peter Wheeler who, with his British Lions colleague, Paul Dodge, is rested after a busy summer.

Fran Cotton, the British Lions and England prop, has been ruled out of an international team to play Northumberland in their centenary game next month. Cotton is to have an operation for a varicose vein problem at the same time as this match on October 1.

Gerald Williams (Bridgend), understudy last season to the scrum half, Terry Holmes, has been added to the Welsh national party. Holmes is still having problems with a shoulder injury sustained on the British Lions' tour of South Africa.

For the record

Baseball

AMERICAN LEAGUE: Milwaukee Brewers 11, Detroit Tigers 6; Baltimore Orioles 3, California Angels 0; Boston Red Sox 5, Oakland Athletics 1; Seattle Mariners 1, New York Yankees 0; (1) Chicago White Sox 10, Cleveland Indians 8; (2) Chicago White Sox 8, Cleveland Indians 7; ...

Modern pentathlon

Croquet

Basketball

Fiat face top Americans

By Nicholas Harling

Team Fiat, who have wasted no time during the summer in replacing two departing internationals ...

Stroeder is 2in taller than White, his former team colleague at Portland Trailblazers.

Swimming

Goodhew goes professional

Duncan Goodhew, the Olympic champion at 100 metres breaststroke, has swum his last race for Britain. In a letter to the Amateur Swimming Association, Goodhew has announced that he is turning professional because he wants to establish a career for himself and the jobs he is considering taking would impair his amateur status.

At the same time, Goodhew pleaded for the authorities to set up a controlled form of open sport so that leading swimmers could earn enough money under official supervision to enable them to cover their training expenses.

"I am convinced that I could carry on swimming and improve and earn a living as well, but it would be cheating and I do not want to do that. I have had several approaches from companies and I will be considering them all. No doubt, I could walk along the border line but I am not prepared to argue about every situation", Goodhew wrote. He has no specific job in mind at present but could earn his first cheque as a former amateur during the next two days. He is due to compete in a "Superstars" competition being recorded for television and has decided to take the money if he wins.

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هكذا من الامل

SPORT

Tennis

Americans respond well to graft

From Rex Bellamy
Tennis Correspondent
New York, Sept 1

The £265,000 United States tennis championships, the last of the year's three major tournaments, are moving into the seventh of 13 days of noise, heat and hard labour. It is as good a time as any for a half-term report.

Bjorn Borg, and, in doubles, Kathy Jordan and Anne Smith, are still in the running for grand slams (never achieved before, incidentally by a women's doubles team). They are already champions of France and Wimbledon.

By competing in all three events, Ilie Nastase is managing to earn slightly more than he is paying out in fines for misconduct. A former Wimbledon champion, Karen Susman, aged 37, is almost £800 better off after having reached the third round of the women's singles. ("I'm not usually away from home this long.") The genial contingent of French journalists are still checking what Yannick Noah is supposed to have said about drug-taking on the tennis circuit, what he actually did say, and whether there is much truth in it.

Noah, aged 20, and his compatriot, Pascal Portes, 21, who was brought up in wine country near Bordeaux did well to reach the last 16. But with Noah playing the top seed and Portes playing the second seed, John McEnroe, it seemed that the French youngsters would soon be free to relax the intensity of their discretion when ordering dinner.

To put the picture within its frame, the last 16 pairings were Borg v Noah, Roscoe Tanner v Brian Teacher, Guillermo Vilas v Wojtek Fibak, Johan Kriek v Christopher Mottram, Eliot Teltscher v Brian Gottfried, Bernie Mitton v Jimmy Connors, Harold Solomon v Ivan Lendl; and Portes v McEnroe.

Eight nations are represented in that list. The United States contingent (seven out of 16) was dominant but was swiftly and inevitably reduced by one today when Tanner beat Teacher, 6—3, 6—4, 5—7, 6—2. Tanner beat Borg here last year and tends to give him a lot of bother. Borg has failed to win this title in eight attempts. It must be a stimulus to this great player that he still has something to prove.

Solomon had to come from behind yesterday but lasted the course better than Russell Simpson, a well-built New Zealander ranked 84 places beneath him. Simpson likes fishing and has the serene, easy-going nature such past-times encourage. But he cannot maintain the same level of efficiency as Solomon on a tennis court. Five men—Tanner, Kriek (who had one walkover), Teltscher, Connors, and Lendl—reached the last 16 without conceding a set. It has escaped no one's notice that Connors, who has won this title on three different surfaces, did so in the even years: 1974, 1976 and 1978.

The United States, Czechoslovakia and Argentina are represented in the fourth round of both singles events. Before today's matches the womens draw read as follows: Tracy Austin v Virginia Ruzici, Pamela Shriver v Dianne Fromholtz, Chris Lloyd (who had lost only six games in three matches) v Joanne Russell, Kathy Jordan v Mima Jausovec, Andrea Jaeger v Renata Tomanova, Ivanna Madruga v Candy Reynolds or Laura Dupont, Barbara Hallquist v Lucia Romanov, and Hana Mandlikova v Martina Navratilova.

No match was attracting more interest than the last on this list, because Miss Mandlikova beat her better known compatriot a week before these championships began. Miss Navratilova's pride could stand such a defeat during a "run-in" tournament: but not here.

The most dazzling tennis, certainly in terms of tactical and entertainment value has been played in the men's doubles, often by players who have receded into the background as singles competitors. We had a lot of fun watching Nastase, aged 34, and Tom Okker, 35, beat Owen Davidson and John Newcombe, both 36. Yesterday Nastase and Okker were crisply dismissed by Heinz Gunthardt, 21, and Fred Stolle, 41. Predictably, Gunthardt was the sharpest player on court. It has, incidentally, been no fun passing on Test scores to such people as Davidson, Newcombe and Stolle.

Men's singles

THIRD ROUND: H. Solomon beat R. Simpson (NZ), 6—7, 6—3, 4—6, 6—3, 6—2. B. Gottfried beat H. Cano (Australia), 6—0, 6—7, 6—2. FOURTH ROUND: R. Tanner beat B. Teacher, 6—3, 6—4, 5—7, 6—2. W. Fibak (Poland) beat G. Vilas (Argentina), 3—6, 6—3, 6—3, 7—5.

Tanner: taught nothing by Teacher.

Poxon makes his way past booming Pyatt service

By Sydney Friskin

Barely two months ago the grass courts at Wimbledon were aflame with the exploits of the world's best tennis players. The blood of youth burnt not with such excess yesterday when the British hard courts championships, sponsored by Prudential, began in fine weather.

Nothing disturbed the day's tranquility as the seeded players went through to the second round untroubled and unhurried. For Peter Farrell of Lancashire, the top seed, his match against Conor Boden of Surrey was little more than a useful exercise. Farrell won 6—3, 6—2 after the match had briefly flickered into a contest. Boden achieved breaks of service in the seventh game of the first set and the sixth of the second.

Keith Gilbert, who won the title last year, is not defending it and Jeremy Bates, who won the doubles title with him, is also not playing. But there is still a lot of rising talent in this event to make it interesting. One of the more stimulating matches of the afternoon was the one in which Steve Poxon (Nottinghamshire) beat Tim Pyatt (Warwickshire), 6—7, 7—5, 6—1.

Pyatt, tall and strong, with a booming service and punishing forehand, drove his steadier and unrelenting opponent to the limit of his powers. For much of the first set Poxon was permitted the type of game he likes with Pyatt hitting his returns hard at him. With two breaks of service, Poxon ran up a 4—0 lead and up to that time had barely made an error.

Then Pyatt slowed the game down and gradually climbed back into the match. There followed a string of exciting rallies with neither player rushing the net. Pyatt won the tie break 9—7 and was within a point of a 5—2 lead in the second set. Poxon, hitting his returns to a good length, won the second set after a grim struggle and ran through the third to win the match.

Kate Brasher, the top girls' seed, won 11 games in a row against Deborah Cantrell, whom she defeated 6—0, 6—1 to bring about the day's most summary dismissal. But Susan McCulloch (Nottinghamshire) the eighth seed, ran into a spot of trouble against Jenny Blezard of (Essex) in a somewhat bizarre second set. Miss Blezard, who was 3—5 down, found new strength with a break of service in the ninth game and made her opponent fight for every point, eventually to drop her own service in the 12th game.

Boys

FIRST ROUND: P. Farrell beat C. Boden, 6—3, 6—2; D. Fengate beat M. Cooper, 6—3, 6—3; R. Conll beat W. Hodges, 6—1, 6—2; H. McGuinness beat J. Treharn, 6—3, 6—0; P. Heath beat P. Elsden, 6—1, 1—6, 6—0; A. Castle beat S. Jones, 6—0, 6—4; C. Johnson beat M. Smith, 6—3, 6—1; A. Fuller beat C. Scoates, 6—4, 7—5; M. Powell beat T. Mitchell, 2—6, 6—1, 6—1; S. Taylor beat G. Blaning, 6—1, 3—6, 6—3; T. Hartland beat P. Hope, 6—3, 6—3; M. Nicholls beat H. Fubini, 6—4, 6—2; C. Haworth beat P. Moore, 6—3, 6—4; L. Alfred beat R. Fielding, 6—3, 6—0; C. Smith beat N. Collings, 6—3, 6—2; A. Lakatos beat S. Richards, 6—4, 6—2; J. Watson beat N. Beedham, 6—3, 9—6, 6—4; B. Knapp beat P. Treen, 7—5, 6—4; S. Hale beat J. Malc, 6—1, 6—4; N. Canfeld beat P. Layfield, 6—4, 6—3; S. Matthews beat T. Riley, 6—3, 6—0.

Girls

FIRST ROUND: K. Brasher beat D. Cantrell, 6—0, 6—1; S. Gomer beat S. Bebott, 6—1, 6—4; B. Borneo beat V. Adams, 3—6, 6—3, 6—1; A. McCulloch beat J. Blezard, 6—2, 7—5; S. Davies beat C. Clark, 6—1, 6—0; K. Turton beat H. Moore, 6—1, 6—0; C. Barn beat C. Mitchel, 6—3, 6—3; D. Taylor beat J. Griffiths, 6—4, 6—2; C. Rery beat S. Harris-Mitchell, 6—3, 6—7, 6—1; S. Ryder beat K. Kase, 7—6, 6—7, 7—3; H. Curtis beat C. Pickwick, 6—3, 1—6, 6—1; J. Reardon beat J. Fletcher, 6—1, 6—1; J. Blyth-Lewis beat L. Tracey, 5—7, 6—4, 6—0; M. Woodthorpe beat S. Sullivan, 7—5, 6—3; T. Sawyer beat J. Salmon, 7—5, 6—1; V. Binns beat A. Croft, 6—3, 7—6; J. Harris beat S. Smedley, 6—4, 6—1.

Squash rackets

Training and teaching programme for youth

A training and teaching programme for young people was launched in London yesterday by the Squash Rackets Association in association with BP Oil. It will offer to youngsters "who would not normally have the opportunity of playing squash" the chance to learn the game, and also train coaches to carry the programme forward.

The scheme, which will run initially for three years, will expand the existing awards courses which qualify coaches. Over 1,200 enthusiasts attend SRA courses each year and go on to become qualified coaches, a spokesman said. BP support will provide additional coaches' training courses, as well as literature, folders, posters, and an awards scheme handbook.

A series of introductory coaching courses will be run throughout the country by county associations under the auspices of the SRA. Players under the age of 14 will be invited to take part in courses in the basic skills, under the supervision of county coaches. Youngsters from each county who show aptitude will then be invited to attend advanced coaching and regional courses.

"This new grass-roots training programme will help to develop promising talent and provide a sound base for the future of English squash at international level," the SRA spokesman said. "By 1985 some three million people, double the present figure, may be knocking themselves out playing squash", Roly Stafford, divisional manager for BP Oil, said.

Rugby League

Dismissals do not imply crisis

Officials have played down the fact that 13 players were sent off in Sunday's Slalom Lager first and second division championship matches. David Howes, the league spokesman, said: "It is not the crisis some might suggest. A check shows that they were all isolated incidents."

Meanwhile two Wigan players, Breheny, who was suspended for six matches, and Bolton (three matches) will have appeals against the suspensions heard in Leeds tomorrow.

One corner of an English field that is forever foreign

Baseball returns to home base

The ball once struck off
Away flies the boy
To the next destined point
And then home with joy
Verse from A Little Pretty Pocket Book, 1744.

An American historian discovered this early reference to baseball, underneath a woodcut of boys playing, in an English book for children. So Abner Doubleday of Cooperstown, New York, did not invent the game of baseball in 1839 after all.

Nevertheless, the Americans adopted and adapted the ancient game and made it their own, while England, having got rid of the meddlesome colonials in 1776 took the game of bat and ball in another direction and produced cricket. Which is one good reason, perhaps, for being glad that we lost the War of Independence.

There is, however, one corner of an English field which is for ever Brooklyn. Last Saturday the Humber Bridge celebrations at Hull, North Humberside, produced a star sporting attraction in the form of a floodlit baseball international between Great Britain and France.

The weather played a vile trick on the dedicated new frontiersmen. It poured with rain all day and the crowd were reduced from an expected 3,000 to 1,500. Nor was this the only blow for baseball in Britain. France won 13-1 after going seven up in the first two innings.

Great Britain could offer as an excuse the fact that their star pitcher, Peter Darnell, a local player and an office worker with a chemical company, was unable to play because of a broken leg. He was hurt in a league game a week before when he slid too desperately and too hard into a base.

Great Britain were guilty of several fielding errors in the early stages of the match; when they tightened up their game it was too late. Some consolation was gained on Sunday when a Humberside team took on the French at Barton Constable, an attractive village site, and narrowed the margin to 5-3.

If all this causes a raising of the eyebrows, further incredulity may be occasioned by the fact that, in August 1937, a crowd of more than 11,000 watched a national baseball cup final at Craven Park rugby ground, Hull, between Hull and Romford Wasps, and showed such unbounded enthusiasm at Hull's 5-1 victory that they broke down the barriers and invaded the pitch. On Humberside in those days the long, truncheon-like bat, the face mask of the catcher, and the wicked, curving throws of the pitcher were as familiar as centre forwards, oval balls and cricket stumps.

English baseball was professional then, and the match was won for Hull by the brilliant pitching of an American import, Lefty Wilson, who had 14 strikes out. Ellis Lydiatt distinguished himself at the bat, hitting a home run clean out of the ground, and enabling a team-mate to come in from first base for a second run. "It was a hit of such power and magnitude that it will be talked about in east Hull for many years to come" a newspaper said of the famous victory.

Alas, poor Ellis. Along came the war to put an end to professional baseball in Hull, Romford, London and the Midlands. After the war, thanks to a great extent to the wartime GI's who made their presence felt in Britain, baseball revived on Merseyside, Humberside, in the south-east and in the Nottingham area, but as an amateur game.

Local leagues sprang up and thrived briefly, though baseball, with its nine-man teams, three strikes out, its diamond and bases, was never able to compete for spectators with cricket, tennis, golf and motor sports as a summer entertainment. It suffered, perhaps, from the caustic cynicism of those who regard it as little more than a superior game of rounders. Don Smallwood, an indefatigable worker for baseball on Humberside concedes that this was a frequent criticism. "It's a fast, tough, exciting and very masculine form of rounders. The ball is hard, and the outside stitching can cause some nasty cuts".

Smallwood is general secretary of the British Amateur Baseball and Softball Federation, and works round the clock trying to publicize the game and win support. It is largely through his enthusiasm, aided by his publicity officer, Mike Reading, that Hull City Football Club and Hull City Council have supported the floodlit international which will help commemorate the opening early next year of the magnificent bridge which spans the River Humber.

The present game is a far cry from the heady professional days of Lefty Wilson, Ellis Lydiatt and 11,000 crowds. Nowadays the Humberside amateur game supports four senior sides, a small junior league, and a schools league. A good gate for an important match will attract around 1,000 spectators, particularly if it is an inter-area game with a team from Merseyside, Nottingham or the London districts.

Europe and South America have become the great strongholds of baseball after the United States. The world championship has been won in recent years by Cuba, Venezuela, Columbia and Puerto Rico, and the European championship by Italy, Spain and, many times, the Netherlands.

British baseball may lack a Babe Ruth, a Ty Cobb, a Lou Gehrig or a Joe Di Maggio to hit prodigious home runs and hurtle round the bases. It may have no pitcher like Mordecai "Three-Finger" Brown or William A. "Candy" Cummings, but it lacks nothing in dedicated, sacrificial enthusiasm as long as Smallwood, Reading and their Humberside stalwarts are around.

Keith Macklin

Athletics

Meeting director takes umbrage

Mike Farrell, meeting director of the Nationwide Amateur Athletic Association championships at Crystal Palace at the weekend, is concerned that Allan Wells and David Jenkins, two of his star attractions are competing in a superstars competition, being recorded in Cwmbran today and tomorrow.

"While they are free agents" said Farrell, "I am worried that they may injure themselves, especially taking part in sports they are not accustomed to. It is important they are fit and well for the centenary championships."

Wells goes for his Olympic gold medal distance, the 100 metres. He has run in only one previous championship, finishing second in the 200 metres in 1976. Jenkins who has already come back from retirement once, may end his career on Saturday. He comes down from his customary 400 metres to 200 metres and hopes to go out with a flourish.

Racing

Piggott is banned for a week after battle with Carson at Windsor

By Michael Phillips
Racing Correspondent

No two races have typified the struggle for this year's jockeys' championship more than the Potential Stayers' Stakes and the Bracknell Stakes run on the right figure-of-eight course at Windsor yesterday. With Willie Carson, Lester Piggott and Pat Eddery all involved in the finish each was an electric affair and none more so than the Bracknell Stakes which resulted in Piggott being in hot water with the stewards.

Piggott's will to win whenever the chips are down is unrivalled, but on occasions that determination can be taken too far. It was in this instance: Piggott, on Crispin, beat Carson, on Prow, by only half-a-length, but it was crystal clear to the naked eye that he had hampered the runner-up badly in the closing stages.

After watching the camera patrol film, taken from the head-on position, the stewards disqualified Crispin and suspended Piggott from riding for seven days from September 10, finding him guilty of reckless and improper riding. I saw the film of the race later in the day and it was impossible to disagree with the Steward's decision. At no stage did Piggott appear to make any visible attempt to straighten Crispin as he hung to his left—indeed, he continued to apply pressure still with the whip in his right hand—with the result that he carried Carson and Prow halfway across the course. A hefty bump 50 yards from the line knocked Prow sideways.

This suspension means that Piggott will miss the St Leger meeting at Doncaster. In 1954 he missed winning the fifth and last Classic of the season on his Derby winner, Never Say Die, because he had also fallen foul of the Stewards and it would be ironical to say the least if Lancastrian, the colt with whom his name has been linked this time, were to triumph at Doncaster. He will also miss a ride anyone would covet on Mrs Penny in the valuable Prix Vermeille at Longchamp on September 14. It was on Mrs Penny that he won the Prix de Diane (French Oaks).

All in all this was not Piggott's day. Apart from losing a race he should have won to the man he is chasing in the race for that jockeys' title he also lost two others by the shortest of margins, one to Eddery, the only other serious challenger in the jockeys' championship.

The finish of the Potential Stayers' Stakes was a desperate affair with Eddery, on Saba Nejd, just pipping Piggott, on Buffavento, and Carson only a short head behind on the favourite, Applemint. It was a vintage display of race-riding from all three jockeys, a sight that had the crowd on tiptoes roaring their heads off.

Applemint was all the rage in the ring beforehand to make a successful beginning. But it was not to be. Carson could never quite get far enough in front and Saba Nejd wore down Applemint before a fresh danger emerged on his outside in the form of a furiously hectic Piggott on Buffavento. Locked in combat they flew past the post together at a rate of knots and the photograph showed that Saba Nejd had just held on.

In the last race, I thought that Piggott had just got up to win the Binfield Stakes on Miss Neustrie, and so did Piggott, but the photograph showed that Trevor Rogers, who is enjoying by far and away his best season, had just held on on Jubilee Bill.

So with Piggott in the doghouse, albeit only temporarily, the situation at the top of the table now reads Carson, 114; Piggott, 107; and Eddery, 102. Time may show that this suspension will cost Piggott his tenth championship.

Piggott: missed Doncaster St Leger meeting.

Nottingham falls to Newmarket raiders

Both Bruce Hobbs and Michael Stoute continued in sparkling form at Nottingham yesterday when Newmarket stables won five of the six races. Hobbs had his 49th success of 1980 when Jam proved too strong for High Old Time and Getaway Girl in the Strathspey Handicap. Stoute saddled his 67th winner of the season when Melon Patch outpaced his rivals in the Delirium Maiden Stakes.

Hobbs has excelled himself in his training of Jam. Bred and owned by Mrs James de Rothschild at the Waddesdon Stud in Buckinghamshire, the gelding has run only 17 times in five seasons, winning six races. Jam was skilfully ridden by Edward Hide.

Hobbs also announced that Vielle will not now run in the Prix Vermeille and her new objectives are the Sun Chariot and Champion Stakes. "Vielle failed to stay in the Yorkshire Oaks", the Newmarket trainer said. He also confirmed that Tolmi's next race will be the Champion Park Stakes.

Melon Patch was winning at the fifth time of asking for his owner-breeder, Mrs John Burkhardt, from Fethard, in County Tipperary. The Thatch colt was placed twice in Ireland where he was trained by Jim Bolger. Melon Patch has also been second twice at Yarmouth since being with Stoute.

There can be little doubt that Melon Patch's jockey, Walter Swinburn, is the coming man for he is as intelligent and articulate as he is gifted in the saddle. Swinburne, who is 19, thinks that Melon Patch will win again and will stay further. Melon Patch completed a 47-1 double for him after his earlier success on Mr Petit in the Oyster Maid Selling Stakes.

Joe Mercer, last year's champion jockey, was seen at his forceful best on Baas, who outstayed the top weight, Principal Dancer, in the Tulyar Nursery. Baas is trained by Jeremy Hindley. The other two winners from Newmarket were Bill Holden's filly, Well Greased, who made the most of her light weight in the Sterope Handicap and Frank Durr's Etching whom Philip Robinson brought with a well-timed run to collar the favourite, Lorentino, in the dying seconds of the Final Score Stakes.

Willie Carson looks the jockey to follow at Hamilton Park, the only flat race meeting to take place in Great Britain today. The pick of his mounts would appear to be Faiz in the Halleath Stakes and Field Day in the Whistleberry Stakes. Both are trained by John Dunlop, Faiz having won easily at Newcastle recently and Field Day having just got the better of Dutch Challenger at Folkestone.

Two other likely winners are Millfield Royal in the Drumclog Selling Stakes and Star of Enzo in the Almada Nursery. Star of Enzo beat Artistry by five lengths at Chepstow. As Artistry had previously landed a successful gamble when accounting for the subsequent Goodwood winner, Fine Honey, at Newbury this looks useful form.

STATE OF GOING (official): Hamilton Park: Good to soft. Newton Abbot: Good. Plumpton: Firm. Tomorrow: York: Good. Worcester: Firm.

Ayr Gold Cup entries

AYR GOLD CUP (to be run over 6f at Ayr on September 19): Moorestyle 3-10-0, Valgly Great 6-9-10, Abdu 4-9-5, Sharp 3-9-6, Lord Rochford 3-9-1, Sayyaf 3-9-1, Gypsy Dancer 3-9-0, Susarma 4-8-12, Tauian 3-8-13, Sovereign Rose 3-8-11, Scandeam 4-8-11, Queen of Cornwall 3-8-9, Hanu 3-8-7, Escovitch 4-8-6, Sunfield 3-8-6, Bold Image 3-8-6, Overtrick 5-8-3, Pace Jean 3-8-3, Via Delta 3-8-0, Artipiar 3-8-0, Davenport Boy 4-7-11, Betsy Red 5-7-11, Cree Song 4-7-11, [illegible] Boy 5-7-11, Westacombe 3-7-10, Marching On 6-7-9, [illegible] Over the Rainbow 3-7-6, Gamblers Dream 3-7-3, Soaf 3-7-3, Queen's Pride 4-7-3, Tarvie 3-7-0, Optimate 3-7-0, Eternity Hall 3-7-0, Zephyrus 3-6-13, Hurstwrth House 4-6-13, Tribal Eye 5-6-13, Eaglesfield 3-6-13, Vorvados 3-6-13, Flower 3-6-12, Sun of Schweppes 3-6-11, Alpine Rocket 3-6-9, Denmore 4-6-9, Mister Lane 6-6-9, Friendly Fun 3-6-9, Argentina Bound 4-6-8, Paducah 4-6-8, Murilla 4-6-8, Nocturnal Boy 4-6-8, Sarifa 3-6-7, Moor House 3-6-7, Razorback 5-6-6, Walter Osborne 3-6-6, Mississippi Shuffle 3-6-6, Wyddial Park 3-6-6, Irish Commander [illegible]

Windsor results

[illegible]

Nottingham

[illegible]

Hamilton Park

[illegible]

Hamilton Park programme

2.15 HALLEATH STAKES (2-y-o: £1,126: 6f)

2	221	Faiz (D), J. Dunlop, 9-4 .... Carson	5
3	000	Breton Banquet, W. Marshall, 8-11 .. Baxter	1
4	33	Granpark, J. Wilson, 8-11 .... Bleasdale	3
6	00	Missing Sid, R. Hollinshead, 8-11 Swinburn	1
9		Donallan, T. Craig, 8-8 .... Dwyer	2
11	020	Sospirae, W. Guest, 8-8 .... Guest	7
12	222	Star Heading, W. H. Williams, 8-8 ...... Hutchinson	6

4-7 Faiz, 4-1 Granpark, 6-1 Missing Sid, 10-1 Star Heading, 12-1 Sospirae, 20-1 others.

2.45 ALMADA NURSERY HANDICAP (2-y-o: £1,331: 5f)

2	144	Merely Mozart (CD), P. Haslam, 9-1 .. Jago	9
3	001	Star of Enzo (D), T. Marshall, 9-0 Dineley	4
5	020	That's Magic, J. Etherington, 8-11 Seagrave	2
6	003	Be Sharp (D), J. Berry, 8-11 .... Darley	10
8	432	Bracken Gill (CD), J. Wilson, 8-9 Charnock	1
10	210	Attila the Hen (D), M. Prescott, 8-5 Duffield	12
11	100	Veeya (D), A. Bailey, 8-1 .... Morby	7
12	130	Tudor Dream (D), W. H. Williams, 8-1 ...... Carson	3
14	000	Sabas Bally, Peter Taylor, 7-8 ...... A Mercer 3	6
15	000	Take Shelter, W. H. Williams, 7-7 ...... Carlisle 7	5
16	031	Consent, T. Craig, 7-7 .... Lowe	8
19	000	Slipaway Blues, R. Charles, 7-7 .. Robinson	11

3-1 Tudor Dream, 4-1 That's Magic, 9-2 Be Sharp, 6-1 Attila the Hen, 8-1 Merely Mozart, Consent, 10-1 Veeya, 12-1 Star of Enzo, 20-1 others.

3.15 TOWNHEAD HANDICAP (£1,278: 5f)

1	100	Bri-Eden (D), J. Berry, 6-10-0 .. Carson	7
2	020	Champ D'Avril (D), M. Prescott, 3-9-9 ...... Duffield	6
3	032	Firbeck (D), A. Balding, 4-9-0 .. Balding	2
6	000	Secret Express (C), R. Stubbs, 4-7-10 ...... Lowe	4
9	230	Our Foxbar (CD), M. Naughton, 3-7-7 ...... Paul Eddery 5	1
10	141	Solar Grass (D), W. Charles, 5-7-7 Robinson	6
11	000	Lucky Mistake, W. Marshall, 3-7-7 .... —	8
12	400	Splendid Surprise (CD), W. H. Williams, 3-7-7 ...... Carlisle 7	4
13	240	Pandit, T. Fairhurst, 3-7-7 ...... Nesbitt 5	3

7-4 Bri-Eden, 7-2 Solar Grass, 4-1 Champ D'Avril, 6-1 Firbeck, 8-1 Our Foxbar, 10-1 Splendid Surprise, 12-1 Pandit, 16-1 others.

3.45 DRUMCLOG SELLING STAKES (3-y-o: £517: 1m 40yd)

2	302	Manna Bitter, A. Balding, 8-8 .. Robinson	4
3	0-00	Millfield Royal, P. Rohan, 8-8 .... Dwyer	7
4	004	Seramus, E. Weymes, 8-8 ...... Webster	3
5	000	Big Bertie, G. Richards, 8-6 ...... Wood 3	2
8	00	Golden Cage, J. Fitzgerald, 8-5 .... Lowe	1
10	000	Lynwood Lady, T. Fairhurst, 8-5 .... Gray	6
11	00	Secret Alliance, G. Wallace, 8-5 .. Wharton	5

7-4 Manna Bitter, 11-4 Millfield Royal, 4-1 Big Bertie, 6-1 Seramus, 10-1 Golden Cage, 16-1 others.

4.15 CLYDE HANDICAP (3-y-o: £1,345: 1m 40yd)

3	403	Ravens Tower, W. Marshall, 9-9 .... Baxter	5
5	-040	Character Builder (C), M. Prescott, 9-0 ...... Duffield	3
6	204	Baby Clair, W. H. Williams, 8-13 ... Carson	8
9	330	Peter the Butcher, S. Nesbitt, 8-10 ...... Nesbitt 5	2
11	000	What-a-Case, W. H. Williams, 8-8 Carlisle 7	4
13	404	Captain Brassbound, R. McDonald, 8-7 ...... Robinson	1
14	0-03	Willerby, J. Fitzgerald, 8-5 ...... Lowe	6
15	041	Miss Minefield, Denys Smith, 8-5 Campbell 7	7
16	214	Persian Princess (CD), C. Crossley, 8-0 ...... Webster	9

9-4 Character Builder, 11-2 Persian Princess, 4-1 Miss Minefield, 6-1 Ravens Tower, 8-1 Baby Clair, 10-1 Willerby, 12-1 Peter the Butcher, 20-1 others.

4.45 WHISTLEBERRY STAKES (£1,046: 1½m)

1	00-0	Northern Echo, M. Naughton, 4-9-0 ...... Muriel Naughton	7
2	0-12	Stuart King, R. Hollinshead, 4-9-0 ...... Swinburn	6
4	-400	Maygold, G. Wallace, 4-8-11 ..... Wharton	3
5	000	No Queens, A. Bailey, 4-8-11 ...... Morby	1
6	000	Royal Scene, T. Craig, 4-8-11 ...... Dwyer	5
7	000	Tyron, J. Berry, 3-8-11 ...... Campbell 7	9
8	001	Field Day, J. Dunlop, 3-8-8 ...... Carson	4
9	001	Mortadella, C. Thornton, 3-8-8 ... Bleasdale	8
13		Regal Rite, W. H. Williams, 3-8-1 Hutchinson	2

13-8 Field Day, 11-4 Stuart King, 9-2 Mortadella, 7-1 Northern Echo, 8-1 No Queens, 10-1 Royal Scene, 12-1 Maygold, 20-1 others.

Hamilton Park selections

By Michael Seely
2.15 Faiz. 2.45 Star of Enzo. 3.15 Solar Grass. 3.45 MILLFIELD ROYAL is specially recommended. 4.15 Character Builder. 4.45 Field Day.
By Our Newmarket Correspondent
2.15 Sospirae. 2.45 Merely Mozart. 3.15 Champ d'Avril. 4.15 Character Builder.

Plumpton programme

2.0 PEASE POTTAGE NOVICE HURDLE (£593: 2m)

2	00-1	The Escaper (CD), D. Kent, 4-11-7 .. Haynes	
3	01	Winter Sunshine (D), P. Haslam, 4-11-7 Brown	
4	00-4	Body Blow, D. Underwood, 6-11-0 .... —	
		[illegible] ...... Rowell	

[illegible]

2.30 PATCHAM HURDLE (Selling handicap: £438: 2½m)

[illegible]

3.0 FINDON HANDICAP HURDLE (£837: 2m)

[illegible]

3.30 GEORGE POOLE HANDICAP CHASE (£1,623: 2m 3f 90yd)

[illegible]

4.0 BERWICK NOVICE HURDLE (3-y-o: £555: 2m)

[illegible]

4.30 ROTHERFIELD NOVICE CHASE (£749: 2m)

602	31f	Brave Elbow, Peter Taylor, 7-11-0 ...... Tuck	
603	004-	Elector Seal, M. Kelly, 7-11-0 .. Mr Batters 7	
604	45-2	Halley Road, D. Browning, 8-11-0 Goldstein 4	
605	f-66	Hyttitan, T. Palmer, 9-11-0 ...... Mrs Palmer	
606	400-	Just Like That, L. Bowman, 8-11-0 .. Strange 7	
607		Moena, A. Moore, 10-11-0 ...... James Guest	
608	0-32	Western River, K. Ivory, 7-11-0 .... H. Davies	
609	24f	Yalo Boy, R. Hodges, 6-11-0 .... Mr Gallow	
610	0op-	Cornelius Kelly, A. Moore, 5-10-12 .. Moore 4	
611	200-	Gun Metal, L. Beeson, 5-10-12 ...... Rowell	
612	3-43	The Herb, Mrs D. Oughton, 5-10-12 .... Rowe	

3-2 Brave Elbow, 4-1 The Herb, 6-1 Halley Road, 8-1 Western River, 10-1 Gun Metal, 12-1 Yalo Boy, 14-1 Hyttitan, 16-1 Elector Seal, 20-1 others.
* Doubtful runner

Plumpton selections

By Our Racing Staff
2.0 The Escaper. 2.30 Boniden. 3.0 Isle. 3.30 Toureen. 4.0 Tamarco. 4.30 Yalo Boy.

Newton Abbot

2.15 TWO BRIDGES HURDLE (Novices: £1,057: 2m 150yd)

4	00-4	Body Blow, D. Underwood, 6-11-7 Redmond 4	
5	00p-	Bronze King, D. Barons, 6-11-7 .... Carsney 7	
6	0	Iver, D. Elsworth, 6-11-7 .... C. Brown	
8	0-	Joan's Folly, N. Ayliffe, 5-11-7 .... Ayliffe 7	

[illegible]

2.45 SOUTH BRENT CHASE (Handicap: £1,977: 2m 5f)

[illegible]

3.15 ST JOHN AMBULANCE HURDLE (Handicap: £1,242: 2m 150yd)

[illegible]

3.45 YARNER HURDLE (Selling handicap: £488: 2m 150yd)

[illegible]

4.15 HOLNE CHASE (Novices: £1,139: 3m 2f 100yd)

[illegible]

4.45 TAW HURDLE (Amateur riders handicap: £1,238: 3m 2f 100yd)

1	111-	Honegger, P. Bailey, 6-12-7 ...... Wilson	
2	0-21	Landa's Friend, H. O'Neill, 7-10-0 Miss Sanders	
3	0-03	Magic Note (CD), W. R. Williams, 8-10-0 T. Jones	
4	42f	Dark Sky (CD), R. Keenor, 13-10-0 Miss Fisher 7	
5	440	Contraption, Mrs S. Oliver, 9-10-0 Miss Oliver 7	
6	00-0	The Winker, T. Clay, 9-10-0 ... Madgwick 7	
7	0-02	Up The Creek, B. Cambidge, 8-10-0 Cambidge 7	
9	0-03	Star of Bargello, F. Yardley, 5-10-0 S. Brown 7	
10	4p-4	Quis Loo, P. West, 6-10-0 .... West 7	
12	0-	Rivalyon, E. Scriven, 7-10-0 .... Miss Barrow 7	
13		Raucous, S. Reddaway, 11-10-0 .. Reddaway 7	

4-6 Honegger, 4-1 Landa's Friend, 13-2 Magic Note, 7-1 Up the Creek, 8-1 Star of Bargello, 16-1 others.
* Doubtful runner

Newton Abbot selections

By Our Racing Staff
2.15 Body Blow. 2.45 The Vinegar Man. 3.15 Buffoon. 3.45 Techmatic. 4.15 The Ommaroo. 4.45 Honegger.

Fashion

Top : Adri, one of the up and coming designers in sportswear tradition, combines lace jacket, chenille strapless top and silk pants for evening. Above : Oscar de la Renta, one of the more formal American designers, prefers separates at night, as in silk shaped jacket, ruffled blouse and velvet pants. Above right : Ralph Lauren's outerwear look : sheepskin jacket over turtleneck sweater, full skirt.

The third of four guest columns by Bernadine Morris, Fashion Editor of the New York Times

The Italians have their marvellous knits and their leathers. The British have their tweeds and evening dresses. The French have their ever-changing hemlines and shoulders to keep their fashions alive and, besides, there is their haute couture, trailing clouds of glory.

For Americans, in at least the first part of this century, there was ready-to-wear. In the past 20 years or so, the rest of the western world has begun to catch up—with the precision of sizing, the accomplishments of mass-production workmanship, the general cachet of ready-to-wear clothes. With its "prêt-a-porter", the French have even translated the words.

But America has developed a concept of dressing that may eventually become as persuasive as its fast foods, its supermarkets and its movies. This is almost universally referred to as "sportswear," though it has little to do with tennis, golf or swimming.

About the turn of the century, in the dawn of the ready-to-wear era, some enterprising manufacturer sewed the frilly, high-necked Victorian blouse that was the first popular ready-made fashion to the long skirt that accompanied it. Thereby he invented the shirtwaist dress, which is still a basic article of apparel. A number of manufacturers, or their descendants, lay claim to this feat.

During the dreary depression days of the 1930s, the two components were separated once again. Frugal shopgirls earning the equivalent of four or five pounds a week found their wardrobes could go much further if they were based on shirts or sweaters and skirts than if they were based on one-piece dresses. Two blouses and two skirts could be switched around to look like more than two dresses. Besides, they were cheaper.

Thus the sportswear concept developed. Jackets were added; so were all kinds of sleeveless vests or tunics. In the past decade or so, trousers came into the package.

During the 1940s, when American designers and manufacturers were cut off from Paris, their usual source of inspiration, sportswear flourished. A group of designers developed who worked in a distinctively American style.

At least one genius emerged, Claire McCardell, who insisted that clothes be comfortable and relaxed, that everything had pockets so a woman could have something to do with her hands. The best-known designers in this country during the war years worked in the sportswear area, adapting the concept of ease to suits, dresses and evening clothes as well as to the separates that were the backbone of their collections.

Some, like Donald Brooks, Tina Leser and Vera Maxwell, are still working. Others, like Clare Potter, Tom Brigance and Carolyn Schnurrer have packed up their needles. Miss McCardell died in 1957, but ever since then fashion designers, including Europeans, coming upon her work in the Metropolitan Museum of Art's Costume Institute or other museums, have remarked, "how contemporary." or "that can be worn today."

In the 1950s, Paris recovered its hold on American fashion.

In the wake of Christian Dior's New Look, clothes became more formal; everybody wore corsets. Suits were intricately constructed. Evening dresses sported internal bones and external beads.

Swinging London put an end to all that in the 1960s with its miniskirts and its blue jeans (an American import, but outside the mainstream of fashion). As fashion began to recover all it held dear, in the 1970s, designers everywhere turned to casual clothes, to separates.

In America, Calvin Klein switched from coats and suits, where he had been trained, to sportswear. Ralph Lauren developed a special brand of snooty separates, insisting on the simplest, most classic styling and pure fabrics, like British tweeds, silks and cottons. Anne Klein, who had made her reputation as a designer of young or junior dresses, switched to sportswear. Perry Ellis, who had begun his career as a retailer, made his entry into the design field with hand-knitted sweaters and baggy pants.

Geoffrey Beene, long a pillar of establishment dresses (the expensive variety, known as "better dresses"), clicked with his Beene Bag collection of informal separates.

These are the most influential designers in America as the 1980s unfold. Others, like Halston and Bill Blass, do sportswear collections as supplements to their regular lines of dresses and coats and suits.

While they all have their individual styles, they have in common an insistence on ease and comfort. "Separates", which are interchangeable parts, are the core of their thinking. Tops can be worn with different bottoms; day styles can be adapted to evening wear. Simplicity rules the styling.

These concepts have, in fact, influenced most of the clothes made in America. Sportswear is America's contribution to the world of fashion.

Above : Geoffrey Beene tunes in on sportswear wave with his Beene Bag collection. Decorated sweater tops easy skirt.

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COMPANY NOTICES

BLUE CIRCLE INDUSTRIES LIMITED

NOTICE TO HOLDERS OF STOCK WARRANTS TO BEARER RIGHTS ISSUE OF "ONE FOR FIVE" AT 300P PER £1 ORDINARY STOCK UNIT

It was announced on 27th August, 1980 that the Directors of Blue Circle Industries Limited ("BCI") have decided to issue 16,209,942 new Ordinary Stock Units of £1 each at 300p per Stock Unit by way of rights to Ordinary Stockholders. At the same time the interim results of the BCI Group for the six months ended 30th June, 1980 were released.

NOTICE IS HEREBY GIVEN to holders of Stock Warrants to Bearer that they are entitled to participate in the rights issue in the proportion of:—

ONE NEW ORDINARY STOCK UNIT OF £1 for EVERY FIVE EXISTING STOCK UNITS OF £1 EACH against surrender of Coupons Number 39 from their Warrants.

Fractions of new Ordinary Stock Units will not be issued, but will be aggregated and sold in the market for the benefit of the Company. The new Stock Units will not qualify for the 1980 Interim Dividend.

In order to participate Warrant Holders who are not employees of BCI or any of its subsidiaries should apply AT ONCE to the Blue Circle Share Shop Ltd. at the address shown below for a copy of the Chairman's letter to Stockholders dated 1st September, 1980 which gives details of the rights issue and also sets out the text of the Interim Statement 1980, an Explanatory Memorandum and Form of Authority for dealing with their entitlements: Warrant Holders who are employees of BCI or any of its subsidiaries should follow the instructions displayed on Company notice boards.

WARRANT HOLDERS WISHING TO TAKE UP THEIR ENTITLEMENTS OR DISPOSE OF ALL OR ANY PART OF THEIR RIGHTS MUST DO SO BY 4 P.M. ON FRIDAY 19th SEPTEMBER, 1980. Warrant holders who do not exercise their rights before this time will receive the benefit of the arrangements whereby the new Ordinary Stock Units represented by their Warrants which can be sold in the market at a premium not later than 3 p.m. on 25th September, 1980 will be sold and the net proceeds of such sale (after deducting the issue price and expenses) will be held for payment pro rata according to holdings against lodgement of Coupons Number 39, with Blue Circle Share Shop Limited at the address shown below. Forms for this purpose will be available on or after 29th September, 1980.

WARRANT HOLDERS ARE REMINDED THAT THEIR RIGHTS MAY BE OF VALUE AND THEY ARE STRONGLY RECOMMENDED TO APPLY AT ONCE FOR THE RELEVANT DOCUMENTS.

All enquiries regarding this announcement should be made to Blue Circle Share Shop Limited, at the address shown below, telephone 01-828 3456, extension 519, or in the case of employees of BCI or any of its subsidiaries, to their Works/Depot Office.

By Order of the Board,
H. W. R. HAM,
Secretary.

Portland House,
Stag Place,
London,
SW1E 5BJ.
2nd September, 1980.

PUBLIC NOTICES

BRITISH RAILWAYS BOARD. Notice is hereby given that merchandise and articles received by passenger trains, etc., and/or left in the railways possession unclaimed, the owners of which are known or have refused delivery, will be sold by auction at New Mileage Yard, Alfred Road, Harrow Road, London W2 if not claimed within fourteen days of this date. Catalogues, price 30p, will be available on application to Messrs. Anstey Horne & Co., 31 Newbury Street, St. Bartholomew's, London EC1. Sales dates 23rd and 24th September 1980 with view day 22nd September.

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DECLARATION OF DIVIDENDS

BLUE CIRCLE INDUSTRIES LIMITED

NOTICE TO HOLDERS OF ORDINARY STOCK WARRANTS TO BEARER

Notice is hereby given that an Interim Dividend of 5p per Ordinary Stock Unit of £1 on account of the year ending 31st December, 1980 will be paid on and after Monday, 20th October, 1980 to holders of Bearer Warrants upon surrender of Coupons No. 40.

Warrant holders who are employees of Blue Circle Industries Limited or any of its subsidiaries should follow the instructions displayed on company notice boards; warrant holders who are not employees should surrender their Coupons No. 40 to the Company at the address shown below on or after 20th October, 1980.

Coupon No. 39 is being used for the rights issue as to which see the separate advertisement. Talons for new coupons should not yet be detached from warrants; instructions as to the procedure for claiming new coupons will be advertised in due course, probably in early 1981.

By order of the Board
H. W. R. HAM
Secretary

Portland House,
Stag Place,
London, SW1E 5BJ.
2nd September, 1980.

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Application forms and further details may be obtained from the Staff Officer (quoting Ref 441/2) University of Aston in Birmingham, Gosta Green, Birmingham B4 7ET (Tel. 021 359 3611 Ext. 201). Closing date for the receipt of applications is 19th September, 1980.

The Royal Society

SCIENTIFIC PUBLICATIONS GRANT

Applications for grants from the second allotment of the Scientific Publications Grant for 1980 should be made not later than 22 October 1980 on forms obtainable from the Executive Secretary, The Royal Society, 6 Carlton House Terrace, London SW1Y 5AG. The grant is for the assistance of scientific publications in the United Kingdom, particularly, but not exclusively, those of scientific societies and institutions.

Applications are receivable only from societies and institutions in the United Kingdom and individuals of British nationality.

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Dated this 27th day of August, 1980.

K. D. Goodman, Liquidator.

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Dated the 31st day of August, 1980
HAZEL S. KRANE Director

In just four years Britain's trade unions have undergone a remarkable change in character

A thin time for those union barons

In 1976, Stephen Milligan published a book about Britain's trade unions — The New Barons—*in which he argued that union leaders were exercising excessive power. In a series of articles, beginning today, he looks at the changes in the union leadership in the past four years and how far the barons still rule.*

Union men at the top: Mr Lawrence Daly, Mr Tom Jackson, Mr Ray Buckton, Mr William Sirs, Mr Mostyn Evans.

The counter-revolution in Britain's trade unions has come sooner than anyone could have expected. The character both of Britain's trade unions and of the men who lead them has changed as fundamentally in the last four years as it did in the radical decade between 1965 and 1975.

In those years, there was a remarkable swing to the left in the union movement—a swing in the kind of men who led the unions, a swing in the willingness of union members to strike and a swing in the political attitudes of the activists who determine union policy. Between 1966 and 1972, the number of days lost in strikes rose in each successive year and the number of those who took part in strikes more than tripled.

The two biggest unions—the Transport and General Workers Union (TGWU) and the Amalgamated Union of Engineering Workers (AUEW)—both elected left-wing militants as their leaders. The TGWU moved left when Mr Frank Cousins took over the wheel and even farther left under Mr Jack Jones. The AUEW moved even more sharply from the ultra-moderate leadership of Sir William Carron to the neo-marxist leadership of Hugh Scanlon. The change was also reflected in the emergence of articulate left-wingers in other unions like Mr Bill Kendall, Mr Alan Fisher, Mr Ray Buckton, Mr Clive Jenkins and Mr Lawrence Daly.

The swing to the left not only encouraged militancy, it also promoted a swing in policy which helped to shove the Labour Party to the left. The successive union victories over governments who tried to reform industrial relations law and to run incomes policies, solidified the strength of the left wingers. The victory of the miners in the 1974 strike seemed to entrench the power of the unions over governments and the strength of the militants within the unions. Britain's Communist Party, which could boast a member on nearly every union executive in Britain in the mid-1970s, was able to claim—with justice—that a series of their own policies had been quickly taken up by the whole union movement. The swing to the left led to more militancy and had much to do with the apparent growth in union power.

In 1976, I noted in my book that there were signs that the swing to the left had stopped. But I predicted that "the swing to the left will resume before long when living standards have again been cut and when the desire to help a Labour government weakens". It was a prediction which has been proved entirely wrong.

The change in the power of the unions' leaders was demonstrated by the failure of the "day of action" in May: a striking contrast to the success of the one-day political strikes mounted against the Heath government. This failure has been echoed in a variety of other cases: the inability of BL's unions to muster support for a strike to back the sacked shop steward, Mr Derek Robinson—or the extraordinary rebuff South Wales miners gave their leaders when they refused to strike this spring in sympathy with their steelmen.

Part of the current weakness of the unions can simply be explained by the rise in unemployment. Naturally, when jobs are at stake, union members are less willing to strike for political reasons or to demand excessive pay rises. The recent Opinion and Research Communication poll, published by *The Times*, which showed that a majority of workers was prepared to accept pay rises under 10 per cent, indicates a surprising shift.

But the threat to jobs is not the only reason for the change in attitudes. Union conferences (eg that of the Union of Communications Workers, formerly the Union of Postal Workers) have shown a shift to the right among rank and file union members on a wide range of political and social questions. And the few unions with genuinely democratic election systems have chalked up a series of victories for right-wing candidates — most notably in the AUEW. It is ironical that Labour's right wingers should now be looking to the unions to resist Mr Anthony Wedgwood Benn.

Sociologists and historians will naturally search for deep underlying causes for the shifts. To a large degree, the shift of the right is a classic reaction to the earlier shift to the left. Union members recognize the senselessness and injustice of wage militancy and resent the overweening attitudes of the old union barons. And the unions' right-wing shift has parallelled a nation wide swing. But both the swing to the left in 1965-75 and the swing to the right in 1976-80 owed a good deal to the personalities who led the unions.

If the electricians' Mr Les Cannon—the most intelligent of all postwar union leaders—had not died tragically of cancer, the moderates might have better resisted the 1965-75 swing. Equally if the left now had a powerful voice in the unions, the counter-swing might have been repulsed.

The most striking thing about the present leadership of the Trades Union Congress is the absence of it. Mr Len Murray, the TUC general secretary, has had to carry much of the burden. But both because of his own poor health and because of the traditional weakness of the TUC general secretary (he has no votes to wield either at the general council or at the TUC congress), he has been unable to impose his own stamp on policy-making.

The power of Mr Murray's intellect is not in doubt—he is one of a handful of union leaders who went to university—but his dry, reserved style has never found the support in the movement that his predecessor, Lord Feather, used to enjoy.

Mr Mostyn Evans at the TGWU is the first general secretary in his union's history who cannot make policy without reference to his own union's executive. Mr Terry Duffy of the AUEW has neither the experience nor the ability to originate policy. Only Mr David Basnett of the General and Municipal Workers' Union, has been in any position to give his colleagues a lead. Mr Basnett is probably the most able leader the GMWU has ever had, but he is a reticent man. He is happy to make speeches extolling familiar union views, but decidedly uncomfortable in voicing original thoughts. And his loyalty to the Labour Party always seems to weigh heavier than his loyalty to the unions.

Mr Frank Chapple of the electricians has moved so far to the right that he is dismissed as a maverick by his colleagues: although he is one of the few leaders prepared to contest the turgid policy documents prepared by the TUC's backroom staff.

In the industrial unions, the vacuum is also conspicuous. The miners' Mr Joe Gormley is near to retirement and has never been a good judge of his own members' mood (as Mr Heath found to his cost in 1974 when Mr Gormley wrongly advised him how much the miners were prepared to settle for). The railwaymen's Mr Sidney Weighell has shown some courage (notably in his TUC speeches attacking unfettered free collective bargaining: "the politics of the pig trough") but as yet carries little weight. Only Mr Tom Jackson of the communications workers cuts much ice, but he is distrusted as a too-consistent moderate.

This gap in the leadership of the big unions ought to have given leaders of the smaller unions a chance to be heard. But few of them ever speak at the monthly meeting of the TUC general council. Only three have any impact: Mr Geoffrey Drain of the local government workers, Mr. Clive Jenkins of the scientific and technical staffs and Mr Ray Buckton of the train drivers.

Oddly, both Mr. Jenkins and Mr Buckton—who used to be thought of as marxist militants—are increasingly embracing moderate and "responsible" views. Nothing could more vividly illustrate how the unions' leaders have changed.

Stephen Milligan

The author was formerly labour correspondent of The Economist. *He is now the editor of* The Economist's Foreign Report.

Thirty years of instilling moral fibre

The Outward Bound School at Eskdale on the western edge of the Lake District has been conscientiously packing moral fibre into youngsters for exactly 30 years. The prescription still seems to work however much modern youth is supposed to be more questioning, self-willed and less easily disciplined.

Recently I revisited Eskdale and the lovely old country house where two generations have had their characters treated to a transforming dose of engineered hardship. The large ornamental lake still stretched tranquil beyond the lawns but the memory remained with me of those early dawns when a layer of cold mist hung over it. There was an obligatory lung-shrivelling plunge to its mud bed followed by the sight of blue skin and steaming goose-pimples as lads scrambled for the bank at top speed. The last lad out had to go in again.

The surrounding woodland now has an even more daunting collection of nerve-testing devices designed to develop initiative or self-confidence. There is a parachute drop on which downward bounders strapped into a harness are encouraged to step off a platform 40ft up a tree. The first 35ft apears to be free fall until the plunge is halted by heavy chains secured to the harness rope. The youth lands with moral fibre positively sprouting out of him.

A cable slide from another high point propels youngsters through the trees at 50 mph. There is a high wooden wall which everyone in a group must surmount—the last man needing a lot of help from his friends, and a watery obstacle course where anyone lacking the balance of a high wire artist is guaranteed a drenching.

Eskdale responded to the recession and developed its theme by taking students who were both younger and older than those enrolled on the original courses. Mr Roger Putnam, the warden, explained that the span now ranges between "launcher" courses for mid-teenage boys and girls that are effectively six days of constructive survival and courses for company executives who prefer challenging surroundings to the inertia of business meetings in a comfortable hotel.

One Eskdale old boy, now a managing director, takes his management teams there, using the course as a kind of catalyst. After three days of cold plunges, long walks, para-drops and death slides the executives sit down and work out the company's plans for the next three years. "I think it is a very successful company", he said.

Another firm sends its high-powered graduates, the types who tend to be boffin-minded and individualistic, on a specially tailored course which eases them into the real world of mutual responsibility and corporate initiative. The course culminates in a kind of game that Baden-Powell would have admired with night ambushes on the moors, secret plans and dangerous objectives.

"The exercise was devised jointly by us and training staff of the organization concerned to identify specific objectives", said Mr Putnam. "This is an expanding market because there is so much disenchantment with conventional management training courses in which the games are rather unrealistic. Our 'games' create genuine stress."

Outward Bound has adapted its ethos to a broader clientele but courses are still divided into teams named after explorers, mountaineers and archetypal British heroes. The school resents suggestions, put about by Mr William Whitelaw, Home Secretary and MP for nearby Penrith, that Outward Bound offered the kind of short, sharp shock that might usefully be used to realign young criminals.

"We are definitely not in the retribution business", said Mr Putnam. "There is no suggestion of punishment here and that is not what we are about. We simply want to help individuals to be more effective."

Last year 1,600 people went on courses at the Eskdale school, which is one of a number of Outward Bound centres. About three-quarters of that number came from industry; the rest were sponsored by local authorities or arrived privately. A report is made on each youngster to his sponsoring agency.

I remember being summoned before the editor of the paper I worked for at the time. My report was in front of him. "It says here you dislike appearing in the nude in public", he growled. My patrol leader had clearly misunderstood my reluctance to leap into the lake at dawn. "Make sure you stay like that." Oddly enough, I always have.

Ronald Faux

Outward Bounders upward-bound at Eskdale.

Coming soon: the EEC battle of the Spanish accession

Rioja wine cellars . . . wine is just one of the contentious aspects of Spain's entry into the EEC.

The angry French farmers, who earlier this summer waylaid lorries of Spanish fruit and vegetables and emptied their contents over the roads of the Midi, were providing no more than a foretaste of the fierce conflicts of interest that lie ahead in the negotiations over Spain's accession to the EEC. These are already running behind schedule if entry during 1983, as desired by the Spaniards, is to be achieved.

Policy makers in Paris and Rome sometimes give the impression of being haunted by a nightmare vision of an unholy alliance between free-trading and/or consumer-conscious northern members of the EEC keen to increase the already substantial inflow of cheap Spanish farm produce on the one hand and, on the other, low-cost Spanish exporters able to compete at prices and levels of support that would be ruinous for southern French and Italian farmers growing the same kind of crops.

It is true that Spanish accession will open up a previously restricted market to the industrial exports of countries like Britain, West Germany and Holland, whose farmers, with the exception of some horticultural producers (especially those using glass-houses), are not in general threatened by Spanish competition. These states thus have few reasons to fear and many for welcoming cheap Spanish farm imports.

But it would he wrong to see Spanish entry as just a French and Italian problem. Outside the dynamic fruit and vegetable sector, most Spanish agriculture is extremely backward, hampered by poor soil, lack of irrigation, small and fragmented land-holdings, unemployment and low productivity. For Spanish livestock farmers and cereals and sugar-beet growers, entry to the EEC will mean lower support prices and less protection.

For the EEC as a whole, Spain's entry, coupled with that of Portugal and Greece, will exacerbate the Mediterranean problems already familiar from the French and Italian experience: over-production of olive oil, too many vineyards producing too much low quality wine, fruit and vegetable surpluses and uneconomic cattle and dairy farms.

Spain alone, with 20 per cent of its labour force in agriculture (compared with eight per cent in the Nine), will increase the number of farms in the EEC and the people employed on them by a third. By contrast, it is estimated that Spain's 36m consumers, with a per capita income only half the present EEC average, will increase food consumption by no more than 13 per cent.

This is bound to intensify pressure for more money to be spent on the modernization and structural reform of Mediterranean farming, still very much the Cinderella of the Common Agricultural Policy (CAP). Unless this is matched by a drastic reduction in the huge sums currently squandered on the price support and stockpiling of northern dairy and meat products the CAP will gobble up even more of the EEC's budgetary resources, increasing the burden on the Community's two chief paymasters, Germany and Britain.

The great bulk of Spanish exports already go to the EEC. So the size of the surpluses that will be created after enlargement will depend mainly on how much Spanish prodution is stimulated by the removal of import tariffs and quotas and the benefit of the EEC's higher support prices, and on the extent to which this is counterbalanced by increases in Spain's currently very low production costs. Both these factors will in turn be affected by the length of the transitional period after Spanish entry.

A key factor, it is generally agreed, will be future policy on irrigation. Only 13 per cent of the cultivated area in Spain is irrigated, although nearly all root crops and fruit and vegetables are grown on irrigated land. One of the commitments that the EEC will undoubtedly be seeking from Spain during the negotiations is that any newly irrigated acreage should be used for growing deficit crops such as maize and oilseeds and not for produce already in surplus.

Spain is the third largest wine producer in the world, and will be joining a Community which already possesses the two biggest, France and Italy, as well as two important smaller producers, Germany and Luxembourg. The EEC is already broadly self-sufficient in wine, and suffers periodic surplus, and the entry of Spain, together with Greece and Portugal (both wine exporters), could lead to catastrophic overproduction in bumper years.

Up to two-thirds of Spanish production is of white wine, much of which is blended with red to produce clarets, for which there is more demand. If this practice is continued inside the EEC it would be likely to produce a surplus of cheap red wine to the detriment of medium-quality reds in Italy and southern France. If it is prohibited, there will be a surplus of cheap Spanish white wine.

Most experts do not expect Spanish wine production to increase much because of poor soil and lack of irrigation. Consumption trends—at present static or declining—could be more important in determining the future balance between supply and demand. This in turn could intensify pressure on northern countries such as Britain and Denmark to reduce their very high consumption taxes on wine.

While Spanish wine, fruit and vegetable production will all create costly problems of adjustment, and serious gluts in some years, they are probably manageable. Much of the EEC's structural policy—such as reducing the quantity and improving the quality of vineyard output—is in line with what the Spaniards are already doing or intend doing themselves. One sector, however, presents difficulties of an altogether different magnitude: olive oil.

Spain accounts for nearly 30 per cent of world olive oil production, about the same proportion as Italy. It is estimated that an EEC of 12 would produce between eight and ten per cent more olive oil than it could consume, and that if the present system of support for olive growers remained unchanged, annual expenditure on this sector would triple to more than £900m. Only cereals and dairy produce would cost more.

In addition to a support price almost double that currently offered to Spanish olive growers, the EEC also pays special production aids and a consumer subsidy to enable olive oil to compete in the market place with much cheaper substitute vegetable oils, such as soya, which enjoy duty-free entry to the EEC at close to world prices. Adoption of this liberal import regime could drastically reduce olive oil consumption in Spain.

The only solution suggested so far has been a tax on competing vegetable oils (both domestically produced and imported), the revenue from which would be used to rationalize olive-growing and to subsidise its selling price still further. This idea is generally supported by dairy farmers in the EEC, who see it as a way of making butter, which is in surplus more competitive with vegetable oil substitutes such as margerine.

So far the tax proposals have been fiercely resisted by Britain, West Germany and Holland, partly in defence of consumer interests and partly because all three have large oilseed-crushing industries. A tax could also trigger off a trade war with the Americans, who export most of their surplus soya bean production to the EEC. But in the end all other solutions may be even less palatable.

The fact is that in an EEC of 12 some two million people, generally concentrated in areas where alternative employment is virtually non-existent, will depend for a meagre livelihood on olive-growing. They cannot simply be allowed to go to the wall, and the cost of supporting them under present arrangements would be politically unacceptable at a time when the EEC is trying to bring agricultural expenditure under control.

Michael Hornsby

LONDON DIARY

How the system has the individual licked

Members of Parliament may enjoy the benefit of free postage when writing to constituents, but the perk certainly does not work the other way.

A reader, who works in a nationalized industry sited less than a mile from the House of Commons, had occasion recently to write to three MPs. Mindful of Sir Keith Joseph's desire to see an improvement in the financial health of this particular industry, the dedicated public servant decided to deliver the three letters himself.

But that was where he came unstuck. He was politely but firmly told by the man on the door that only one hand-delivered letter could be accepted from any one caller at any one time, and would he mind sticking the other two in the post box across the street, with stamps attached?

The dedicated public servant was given to understand that he should have had two colleagues accompany him; had each of the trio then handed in one letter each, the missives would have been sped to their addresses with the speed of light.

In his amazement and frustration, the dedciated public servant has turned to me for explanation, with the comment: "In the light of recent statements by Sir Keith Joseph in regard to the Post Office's monopoly, is someone fighting a rearguard action to maintain it?"

A spokesman at the Serjeant at Arms' department, which runs Commons services, confirmed the truth of the experience. Only one unstamped letter per caller, he said.

"We get a lot of queries about this. People think we are being obstructive. They seem to think that because they bring a letter to the Palace of Westminster they can hand it in. But letters, once they have been handed in, are frequently handled by the Post Office."

There was, he pointed out, a post office in the Central Lobby where letters, duly stamped, could be posted. But the Commons staff themselves had no sorting office or facilities for handling bulk deliveries.

If Sir Keith really means to break the Post Office monopoly, he could do worse than start right on his own doorstep.

Picnic protest

After the work-in and the sit-in, we can now add to the armoury of protest action the ramble-in, as demonstrated by the gently militant residents of suburban Essex on Sunday in defence of their beloved Epping Forest.

More than 1,000 people strolled and picnicked angrily in protest at the City of London Corporation's plan to build a nine-hole golf course on Chingford Plain. Not since Len Murray's neighbours in near by Loughton protested at a TUC day of action by refusing to bid him good morning on their way to work has the community seen such militancy.

The organizers invited both the Lord Mayor of London and Norman Tebbit, the local Tory MP, to join the ramble-in, but neither turned up. Tebbit is known to sympathize with the residents who want Epping Forest left unspoilt, but feels the cause is already lost. He tried to prevent the Sports Council giving money towards the scheme but failed.

Residents are hoping that letters to the Queen may prove more fruitful. Her predecessor, Victoria, dedicated the ancient forest "to the enjoyment of my people for ever" and made no mention of golf courses.

They are upset at what they regard as the sneeky way the City Corporation introduced its plan. They claim no one was notified when the corporation held an extraordinary meeting to discuss it; the first they heard about it was six days after work had actually started on the site.

Mrs Georgina Green, one of the organizers, explaining why the weekend protest had to be so genteel, said they were very nice people, and anyway the strict by-laws of the forest prevented them from holding a formal demonstration. The by-laws will not, however, prevent them handing in a petition carrying more than 5,000 signatures to the City Corporation's Epping Forest and Open Spaces Committee when it meets next Monday.

British export initiative is not completely dead. Bear Brand, the hosiery manufacturer, says it has found a lucrative market in the Middle East for women's tights with the appropriate sheikh's monogram woven on the ankle. Despite the male dominance and the occasional cruelties of Islam, I am relieved to learn they stop short of branding their chattels on the backside with a hot iron.

Blitzed

In this fortieth anniversary year I have news that the demolition men have moved in to obliterate an important relic of the Battle of Britain, the old battle sector station of Kenley, in Surrey. The operations room from which the fighter squadrons were controlled by radio, and the officers' mess, both of which featured in the film *Angels One Five*, are being cleared to make way for a radio equipment testing laboratory.

Battle buffs who paid a nostalgic visit to the airfield recently met a Mercedes-load of Germans who had bombed it in August, 1940. One said: "What we failed to do, you are doing 40 years later. Why do you not commemorate what happened here?"

This year, incidentally, will also be the last time that Biggin Hill, the best known airfield of all, figures in a September commemorative flying display.

Our former adversaries are having much better luck in preserving the few relics of the Nazi era to be found in London. Builders working at No 9 Carlton House Terrace, the former German embassy, have been taking care not to damage the gravestone of a National Socialist dog.

It is a small stone bearing the inscription: "Giro—Ein Treuer Begleiter—London, im Februar 1934. Hoesch."

Leopold von Hoesch, Ribbentrop's predecessor as ambassador in London, was so fond of his faithful terrier Giro that he erected a gravestone in the embassy garden. Now it is separated from the house by the road to an underground car park, and last week it was observed well padded with sandbags while the builders were at work—more protection than it ever got during the hostilities.

During his two-year tenure Hoesch (who died of a heart attack shortly after a visit from Ribbentrop) acquired the next-door house to provide more room for embassy social occasions. According to Ribbentrop's wife, the redecoration of the expanded embassy was ordered by Hitler himself, and the work was supervised by Albert Speer.

Nowadays the former embassy is put to more peaceable uses, as the premises of the Royal Society, and Giro's bones continue to lie undisturbed.

Even the most profitable companies are climbing aboard the recession bandwagon. The Westminster Press publishing group, the day after announcing record profits, told staff at its Northern Echo *newspaper office in Darlington that the canteen currant buns would no longer contain currants. Staff should not have been too surprised. Recently, after repainting the front entrance, the company told employees they should in future use the rear.*

Plucky

The harp is probably the last instrument of the orchestra to have a competition all to itself—at least outside the Celtic fringes. Mobil, the oil company, is putting up £8,000 in prizes for young harpists who will pluck away at a fiendishly difficult set-piece (Ravel's *Introduction and Allegro*) in Oxford next week.

The two classes for under 25s and under 16s, have attracted only ten entries each, which means half the competitors could qualify for a prize. They hope that Mary O'Hara, the Irish entertainer who has done much to popularize the instrument, will be there on finals night.

Salvi, the London harp makers who devised and administer the contest, say there is a boom in harp sales; but if you fancy your chances, a new model will cost you between £2,500 and £6,000. And if you are going to a party, it is still easier and cheaper to take a bottle of wine.

The French, busily refighting Waterloo with Golden Delicious, Europe's most ill-named apple, appear to have opened a second front in the agricultural war. I have here a handbill from the equally ill-named British Home Stores advertising "Special purchase: Cheddar Cheese. Produce of France." Where is our retaliatory ammunition, our West Bromwich Camembert and our Barnsley Brie? At this rate, I fear the imminent arrival of Taiwan Stilton.

Alan Hamilton

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هكذا من الاصل

Le Monde
LA STAMPA
THE TIMES
DIE WELT

Europa

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Holding on in inflation fight

Professor Henry C. Wallich, who has the chair of political economy at Yale University, and is also a writer on economics, has been one of the seven governors of the Federal Reserve Board (the "Fed") *in Washington since 1974.* His term of office is for 14 years.

Professor Wallich, who was born in Berlin, has had a remarkable career. His grandfather was a director of the Deutsche Bank, his father had a similar function in the Berlin Trading Company. After studying at Oxford he worked in Argentina and Chile, and later on Wall Street. In 1959, after a number of years with the Federal Reserve Bank of New York and at Yale—he was himself a graduate of Harvard —he *was appointed by President Eisenhower* to the advisory economics staff of the White House.

Professor Wallich's belief is that "you have to write the right books at the right time" if you are to make headway. He has certainly *done this in full measure himself.* He belongs to the "progressive conservatives" on the Fed. The governors, with the presidents of the 12 federal reserve banks that make up the American central banking system, are responsible for *United States* monetary policy. *Professor Wallich* is interviewed by Horst-Alexander Siebert.

The united front against inflation invoked at the recent economic summit in Venice is already beginning to waver. Many countries are becoming louder in their demands for measures to restimulate the economy. Should the Western world be prepared to see the stabilization compact break down when the *governors of* the International Monetary Fund and the World Bank hold *their annual conference in* Washington at the end of September?

That need not happen. Even in the United States where, because of recession, the pressure has of necessity been particularly strong, demands for *measures to boost the economy* have been kept within bounds. It is, of course, a matter for discussion whether a Bill to reduce taxes will be submitted this year to Congress, and perhaps approved. But the *motivation has lost a good deal* of its force now that the set-*back, in economic activity has* not continued at its previous intensity.

Twice already, in 1977 and 1978, the points were wrongly set at the annual monetary conference. There is good reason why we have such a high level of inflation at the present time, *not all of it the result of oil* prices. What else assists the finance ministers and governors of central banks of the member countries against yielding to *social pressures and in keeping* their nerve?

Because the state of the economy is not the same in every country, there is no *motive for a mass movement.* In West Germany, France and *Japan the economy is still going* well. There are some signs of downward trends, but these do not justify massive countermeasures. This is also the message of the central banks, which are steering a highly prudent course.

European institutes of economic *affairs are pessimistic; in their* opinion the danger of a worldwide recession is mounting rapidly. How does the Federal Reserve Board view the position?

There are growing indications that in the United States the trough has already been reached, or soon will be. We *must get out of the recession,* but gradually, not with a sudden *leap. I would think that by the* end of this year, or in the early part of next year, the upward movement in America will have begun, while in the rest of the world economies will have cooled appreciably. This would be a better rhythm. We should not then all be going up or *going down* at the same pace.

The heavily indebted developing countries are faced with a *serious problem. For this year,* it is still being said, the recycling of petrol dollars is not at risk. But what is the outlook from 1981 onwards?

The problem is, indeed, very serious. The solution will need *to consist of two parts: the con*tinuance of recycling and an adjustment of payment balances to what is financially possible. Current deficits will have to be reduced, but certainly not cancelled altogether. Countries which increase their borrowing only in proportion to their *growth will always have money* made available to them.

How long can the private banks go on bearing the credit risks involved?

The banks are cautious and, because they are cautious, it is some little time before they come up against their limits of lending. These depend on the ability of the borrowing country to repay its debts and the financial strength of the *lending* institution. Both increase as times goes on. So it *is not so much a matter of* coming up against actual limits as against a temporary limitation. This can mean that borrowing is slowed down, but not that it dries up.

Would it be useful for banks *to set up a safety net of their* own, as Wilfried Guth, of the Deutsche Bank, proposed at the international monetary conference in New Orleans?

It is a very interesting idea, but as yet there are no details. It is not yet *entirely clear,* for instance, whether banks are intended to help each other *out* only in regard to liquidity bottlenecks or at times of actual solvency difficulties. The first would be much easier than the second. It must be remembered, too, that American banks are bound by the anti-trust laws. They are not allowed to think *up any schemes* that might restrict competition.

The foreign indebtedness of the Third World now amounts to more than \$350,000m. What lendings are there on the part of American banks?

Lendings to developing countries *(not including oil-producing states)* amount to between \$50,000m and \$60,000m. Total foreign lendings come to about \$300,000m. But a large part of these represent money market placements.

How secure is the money?

As far as it is humanly possible to judge, the credits are *sound,* and *not beyond* the developing countries' capacities for repayment.

United States bankers are recommending the establishment of a new multinational institution to take over recycling.

I see no need for this in the short term. *Recycling is working* very well, and the developing *countries are also paying* very reasonable interest rates. That would first have to *change.* I should in any case think it would be more plausible to expand the Monetary Fund and intensify World Bank activities. They are already performing what would be the functions of the new institution. And, even more important, where is the *money supposed to come from,* particularly on terms conforming to market trends?

At first sight it appears reasonable for the World Bank to join in ever financing reconstruction programmes. But is there not a risk here of conflicting with the *International Monetary Fund?*

It is an advantage for the two institutions to overlap to some extent, and to *tread new paths* in their financing. The fund *will, in future,* be concerning itself somewhat more with structural problems and the World Bank more with problems of adjustment of balances of *payment. This will benefit the* developing countries, especially as many restructuring projects have to be settled over a longer term than was previously the case.

What other future role do you see for the monetary fund? *Should it have a more flexible* procedure for drawings, which might mean some curtailment as to conditions?

We should be very careful *about changing the fund's* policy. If economic policy conditions are relaxed too far, it can be dangerous. Overhigh exchange rates, for instance, certainly do nothing to further basic human need, as is always being demanded.

Are the demands made by many developing countries that their *high borrowing requirements* should be met through increased lending by the World Bank a practical proposition? There has been talk of doubling the gearing ratio—the ratio of capital to lending. Would the less tappable capital markets be able to cope with this at all?

The capital has already been raised from \$40,000m to \$80,000m. This seems *to me* to be sensible, as demand is growing. But it is questionable whether the ratio of capital to lending should be raised from 1:1 to 1:2. If it is, the purchaser of World Bank bonds will *wonder whether* the securities are still safe. Well, they *would still* be safe, but *no* longer as good as they are today. On the other hand, there is no great problem about placing good World Bank securities, since after all surpluses of the oil-producing countries also need to be invested.

And the West has to submit to political blackmail, as we have just seen with two World Bank loans.

If the Arabs want to bring pressure to bear on us, they can do it more easily through oil than through money.

Is the recession in the United States, particularly as regards the severe slump in the second quarter, proceeding according to plan?

We neither planned, nor wan*ted the recession.* But after five years of economic growth, a *pause was due. The recession* is mainly centred on the car and the housing construction industries. We are ourselves responsible for the many mistakes that have been made. There are also marked regional differences: the situation in Detroit has been bad for a long time now; but in California and Texas the economy is still going strong.

***On March 14 the* Federal Reserve Board suddenly applied the emergency brake *in falling* back on the Credit Control Act of 1969. In the light of today, was that perhaps too strong a remedy?**

The quantitative credit restrictions had the advantages that a further raising of interest rates could be avoided. The effect on consumers was, however, *astonishing* and entirely psychological; what was brought about in practice after the United States Secretary of the Treasury had been seen on television tearing up his credit card was a moral *judgment on the principle of* consumer credit. The actual measures taken against consumption were quite mild.

***Three or four months* later President Carter had to implore people to make more use of their plastic cards.**

Which only shows how great *the effect had been.*

Has the recession been sufficiently effective as a curb on inflation?

To a certain extent we have succeeded in dispelling the mentality of inflation. But the *results are still* far from being satisfactory.

There are fears that the base level of inflation, at the start of the new upturn in the economy, will still be 10 per cent. This could lead to cost increases such as America has never before experienced. What *useful measures are still left?*

That is a development we must prevent come what may, through the kind of cautious monetary policy we are already *practising and greater moderation* regarding the Federal Budget. Tax *reductions,* although necessary in due course, *should not* be introduced for the immediate future; possibly they might be brought in in the second half of 1981. We are still too far from balancing the budget, if we are envisaging an *unemployment rate of 6.5 per* cent, which by American *reckoning would amount to* full employment.

There are also fresh inflationary dangers ahead where wages are concerned; in the next 12 months double figure increases in labour costs are due to appear in the United States. When will your pointer system have a chance?

*It would be very advan*tageous if the tax system were to be used to counter inflation. My idea is that firms should be assessed for higher taxes if they grant excessive wage increases. There could also be *reduced* taxes for lower rates of wage increases, which would *also apply to employees.* Tax reductions could be aimed in this direction.

Interest rates in the United States are moving erratically, which affects the dollar. Does the board really have a firm hold on the money supply, and *are the measures* brought in on December 6 working?

The measures are working very well, though one or two things have gone wrong. We do not only produce money, of course, but depend on its finding takers. If industry will not borrow, it is difficult to achieve *a balanced increase in the* money supply. This happened in April, when the *national* economy reached a turning point. We have now adjusted to this, and the money supply is growing according to plan. But *one cannot have it both ways*— stable growth of the money *supply and stable short-term* interest rates.

Productivity is one of the United States biggest problems.

It is difficult for a country without adequate *productivity growth to curb inflation* and achieve social tranquillity.

What remedies are there? People in Washington are talking about the "reindustrialization of America", and saying a start should be made with the car and steel industries.

The ones that stand out are tax reform, improved depreciation allowances, relaxation of environmental and safety controls, which are a brake on the production process, and measures for increasing international competitiveness. A better system of vocational *training is also being thought* about.

What do you *think about the* economic side of the Republican election platform?

Election platforms usually have little to do with the President's future policy, but are *more in the way of "exercises* in democracy". What strikes me is that with some of the points in their programme the Republicans are not behaving like conservatives at all, but are following in the footsteps of the Democratic Party.

Is a return to gold, as is being openly discussed by the Re*publican team, a practical pos*sibility?

No. And I cannot imagine what is meant by it either. A genuine gold standard is simply not feasible.

Despite the inflation margin, the dollar is stronger than many experts had expected.

There are other aspects to be *taken into account at the pre*sent time, in particular interest rates and the balance on current account. Inflation is not always decisive. That can be seen too in Britain, where the pound has greatly risen in value despite much higher prices.

Is the West going in the direc*tion of a multinational reserves* system?

I am afraid it is. But diversification is proceeding only very slowly, which is to be understood in terms of the continued strong demand for the dollar. But the mark will be used to a growing extent as a reserve *currency, which in view of the* German deficit is clearly no longer such an *undesirable* thing. I can see the same thing happening in Japan.

Do you think there is still a chance that the substitution account will be set up which was intended to reduce the dollar glut in the monetary *fund?*

Yes. The technical arrangements are clear. It only needs agreement on sharing out the risks. America's partners must *realize that this is a worldwide* affair.

You have spoken out in favour of putting special drawing rights, the so-called paper money of the monetary fund, on a broader, and private, basis. What do you mean by this, *and what do you hope to* achieve?

I should like to contribute to the creation of a successor to the dollar—a uniform international payment medium, or at any rate a measure of value, *to take the place of a host of* different national currencies. *This is technically perfectly* conceivable: for a special drawing right is not only a piece of paper issued by the monetary fund, but a genuine unit of account, or indeed, one can say, currency. Bank deposits can be *made and payments settled in* special drawing rights, and they *only need to be accepted.* Moreover exchange risks are less than with any other currency.

Whom would you like to see as the next President of the United States?

I am not allowed to enter *politics because of my official* position, though of course I can vote.

Viewpoint: Claude Julien

Mr McNamara's gloomy outlook

It was not *out of* affection that the American generals called him "Super Mac". For seven years he had disrupted their customary ways, imposing his methods; worse, he had introduced new concepts,—an approach which owed more to the business school than to the military academy.

His purpose was to bring a new approach to bear on *strategic* problems. Internally, he had dominated the traditional interservice rivalries; externally, he had conducted the operations of a matchless military power in masterly fashion. There was therefore great *surprise when,* in the quirky language of *Newsweek,* "McNamara was unceremoniously shuffled from the pinnacle of the Pentagon to a snug, if relatively obscure, spot as head of the World Bank".

Since February, 1965, almost three years of systematic bombing in North Vietnam had failed to produce the expected results. This prompted the same magazine to raise a *vital question:* "The cold logic and obdurate rationalism that made him a superb crisis manager were insufficient to give him mastery of that ultimate irrationality, war itself". Would the same talents enable him to achieve greater mastery of that other, no less deadly, irrationality— world poverty?

Mr McNamara did not wait until taking up his new duties before taking the measure of the challenge. In May, 1966, two years before leaving the Pentagon, in a speech delivered in Montreal, he *had boldly* proclaimed that armed force alone could not guarantee world peace and had established a close link between global stability and the conditions of life in the underprivileged nations. So it was with new hope tempering his disillusion that, at the age of 51, he succeeded Mr George Woods as head of the World Bank; he was going to carry on the struggle, but on a different battlefield and with different arms.

His attitude changed, too: Although the logic and stubbornness still characterized his annual reports to the bank's governors, it became increasingly common for them to contain an undertone of restrained emotion when he was referring to *under-nourishment,* infant mortality, illiteracy and so on. Addressing other audiences (universities, press associations, various clubs), he sometimes ventured farther, to plead, exhort or condemn, but never *losing the almost icy composure* which raises a question mark over his inner motives.

In *private,* without any publicity, he went beyond the scope of his duties to use his prestige and authority for humanitarian purposes which had nothing to do with his responsibilities. There is something mysterious about the character of this man who has spent 20 years, first in the Pentagon and then at the World Bank, grappling with the two gravest problems afflicting *humanity. However* controversial it may be, the balance-sheet of the bank is *easier to analyse* than the personal balance-sheet of the man who has stamped his imprint on it so firmly.

Some light is thrown on the character of *the man by* the terms in which he judges his own work. On October 2 last year, concluding his address to the bank's board of governors in Belgrade, he did not mince his words: "The experience which we have *gained* is beginning to reveal to us that the measures adopted so *far* will quite simply be insufficient over the next few decades. In fact, radical structural changes will have to be made if we wish to have a chance of making progress towards a solution". Two years earlier, however, in his Washington speech, he expressed the view that the economic performances of the Third World in a quarter of a century had been remarkable.

Although these two statements *appear* contradictory, it would be more accurate to *interpret them as exemplifying* the concern for efficiency of the *man of action who alternately* emphasizes the results achieved (thus demonstrating that progress is possible) and the serious shortcomings in current programmes (thus calling for renewed effort). Similarly, he alternately castigates the countries of the Development Assistance Committee of the Organization for Economic Cooperation and *Development—whose official* aid is below the level hoped for— and the countries of the Third World, which he calls upon to "reorient their development policies in order to make a frontal attack on poverty *among the most disadvantaged* members of their populations ... even if this means that they have somehow to slow down progress in certain narrow and highly *privileged* sectors whose advantages are confined to a small number" *(report of* September, 1972).

The view of the world which emerges from *Mr McNamara's* speeches and reports is a fairly gloomy one: "The special interests of certain influential groups in the rich countries *prevail* over those of the majority of citizens both in the privileged countries and in the poor countries" (September 1972). And in the poor countries other "influential groups" monopolize the pro*ducts of growth* for their own benefit.

He knows that this is where the problem lies: "Growth brings few benefits to the poor and they in turn contribute little to growth" (Nairobi, September 1973).

These themes hark back to the central problem which he first discussed in a speech on May 1, 1969, in Notre Dame University, Indiana. He had chosen to address a Roman Catholic audience on a topic which was "thorny to say the least": population growth.

He has constantly reverted to this theme. It is the poor, who neither benefit from nor contribute to growth, who have the highest birth rate. This cold logician's doctrine was worked out a long time ago: "There is no physical obstacle to the rational, measured and progressive solution of the problems of development. The only obstacles are in the minds of men". (Copenhagen, September 1970)—ignorance in the minds of the poorest men: collective self-interest in the minds of the most "influential" men. *This is a double* obstacle which he has not been able to overcome, despite his appeals for "moral responsibility", for the "necessary moral wisdom and energy": "If we do not possess these qualities, I *fear* that we do not possess the means of surviving on this planet either" (September 1970).

Surviving? Yes, because rejection of the "rational solutions" to the problems of development leads to the pros*pect of military confrontations.* From the Pentagon, the long *detour* by way of the *World* Bank leads back to the "ultimate irrationality" of war.

The kind of "cold logic" which has inspired Mr McNamara's actions does not guide the course of the history of peoples. The disillusionment which the Vietnam war had aroused in him before he left the *Pentagon* seems to have been exacerbated by the disillusionment he has experienced in his struggle for development. Will he one day explain more vividly what it was that defeated so much intelligence and lucid persistency?

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AN INTERNATIONAL ANALYSIS FROM A EUROPEAN PERSPECTIVE PUBLISHED JOINTLY ON NOVEMBER 13 1980

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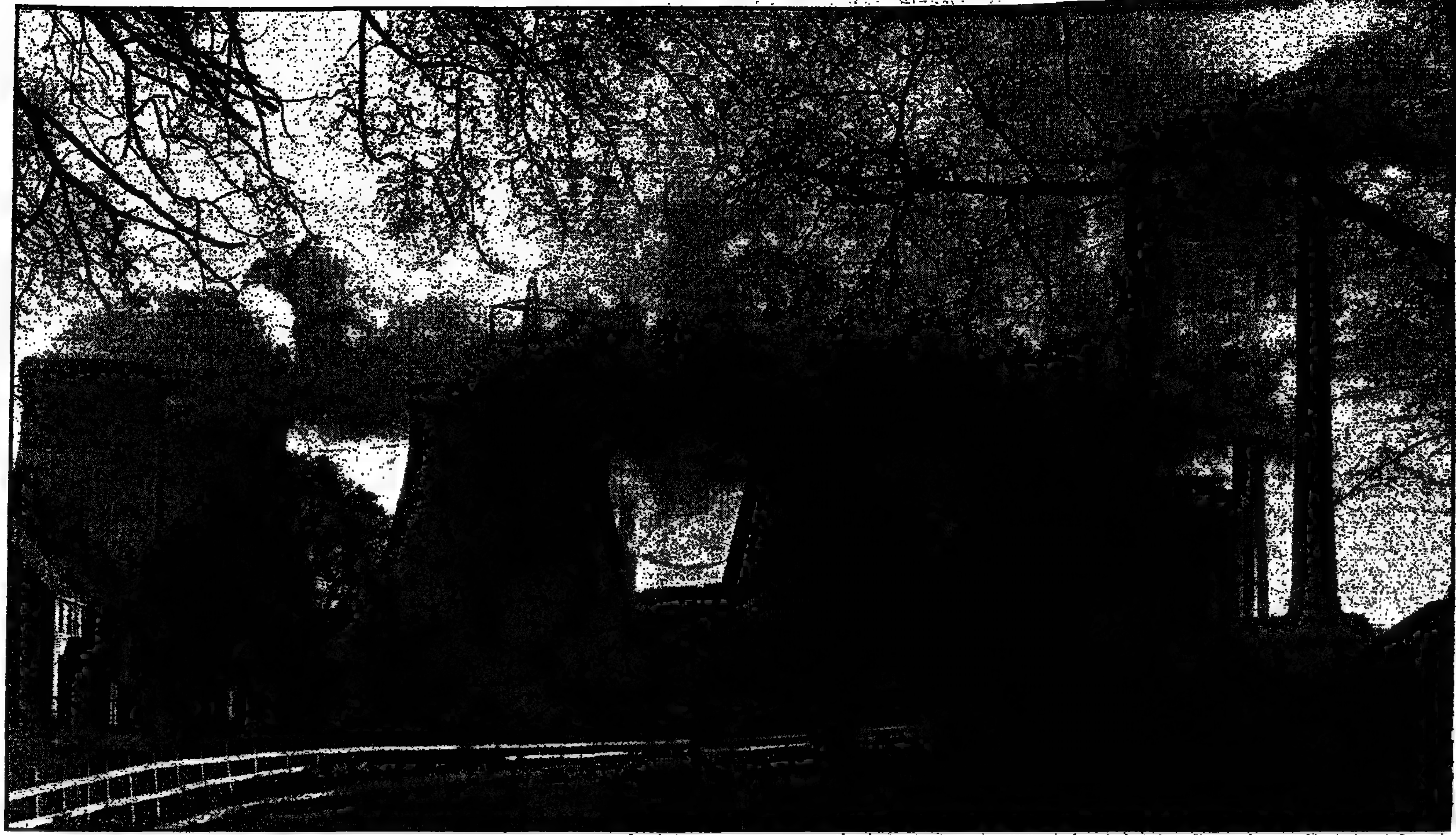
Productivity expressed in terms of energy used

Britain lags in efficiency of fuel use



Economists love ratios. Productivity, or output per person employed, is one of the most popular. There is, however, little point in calculating a conventional productivity ratio unless labour is scarce.

If instead of two people working, one man works and the other is unemployed, their country is no better off. These days it is not labour but energy which is scarce and we should start to consider national efficiency, not in terms of what those who are lucky enough to have jobs can produce, but in terms of how much we produce in relation to the energy we use.

After correcting for differences in price levels in the capital cities of the different countries, Germany and France came out as having a higher 1977 gross domestic product per capita than Britain, which in turn outpaces Italy. Germany also used the most energy per head of population but France, with a higher standard of living, still used less energy than Britain. Italy consumed the least and had the lowest income.

As a result, France and Italy, at 1975 prices, produced more than £700 for each tonne of oil equivalent they used. Germany produced more than £600 but Britain would seem to use its energy inefficiently and produced only about £500.

A minor reason for the difference is that Britain loses 12.5 per cent of its energy in distribution or in converting it from one form to another (refining, making coke and so on). Germany, France and Italy lose 9 or 10 per cent.

These figures do not include losses in electricity production. This is because electricity is an energy form which is inefficient to produce but efficient to consume. A thermal power station, for example, produces less than 40 per cent of the energy it uses in the form of electricity, but when it reaches the home 90 per cent of that electricity can be useful.

On the other hand, only 30 per cent of the energy in coal used in the home produces heat or work. In preparing their statistics each country therefore converts the electricity it produces into oil equivalent at a rate reflecting its average energy consumption per million kilowatt hours (GWH) produced in conventional power stations.

These rates vary but once again Britain comes out badly, using 247 tonnes of oil equivalent—2.9 times the theoretical value—to produce 1 GWH against 227 for Germany, 220 for France and 218 for Italy. This system exaggerates the energy consumption of countries producing electricity from nuclear or hydroelectric power. At present this proportion is too small to matter; the maximum figure is 13 per cent for France, but the position could change if these sources start to grow.

Before arriving at a figure for the energy which is actually consumed, we have to deduct not only losses in production and distribution but also the oil and other forms of energy which is used for other purposes, such as the production of chemicals. This comes to about 7 per cent of the total for all the Europa countries.

Of the remaining energy, about 45 per cent is used for domestic and other purposes apart from industry and transportation in Britain and Germany but this proportion drops to 42 per cent in France and 35 per cent in Italy. Temperature differences only partly explain these figures.

It is arguable that in calculating output per unit of energy, we should confine ourselves to the energy which is actually used in a productive fashion in industry or transport. On this basis, France produced £1,500 per tonne of oil equivalent used. Germany £1,400, Italy £1,300 and Britain only £1,200.

Another possible explanation for Britain's apparently greater inefficiency is the fact that 34 per cent of its energy derives from coal. Although this is more plentiful, it is a less efficient source of energy than oil. This compares with 28 per cent for Germany, 16 per cent for France and only 6 per cent for Italy.

An estimate of the effect of these differences can be obtained by correcting primary fuel consumption figures to reflect the efficiency with which they can be used. The results suggest that these differences might explain the gap between the French and German performance and that between the British and Italian. Britain and Italy would, however, still be left lagging behind France and Germany, not only in conventional economic terms but also in terms of the efficiency with which they use energy.

The next question is whether the trends suggest that we are improving our ratios of output per unit of energy consumed. According to Euroforum, the EEC Energy Ministers agreed in Brussels to increase energy consumption by no more than 0.7 per cent for every 1 per cent of economic growth to 1990.

In the short term, the ratio of energy growth to economic growth is unstable. Our table therefore shows how the ratio of economic output to energy consumption has been changing. A positive figure implies that an economy is growing faster than its consumption of energy and a negative figure indicates the reverse.

After the first oil crisis in 1974, Germany, France and Britain all reduced their energy consumption at the rate of between 4 and 5 per cent a year, but Italy made relatively small savings. Between 1975 and 1977 all four increased their energy consumption at a 2 or 3 per cent rate and achieved even higher economic growth rates. As a result, they increased energy consumption, if not by 0.7 per cent, at least by 0.8 or 0.9 per cent for each percentage point of economic growth.

Between 1977 and 1979, however, growth in energy consumption in Germany, France and Britain has accelerated while economic growth rates have slowed. The result is that in this period they all three increased their energy consumption by more than 1 per cent for every percentage point of economic growth achieved. Italy, however, put up a better performance and curtailed its growth in energy consumption to match the reduction in the rate of growth of the economy.

While 1973 to 1975 was the period in which gdp per unit of energy improved the most, Table 3 suggests that 1975 to 1977 showed a better improvement in industrial production per unit of energy than did the previous two years. On this basis, Germany and Britain put up a better performance than France or Italy.

Unfortunately, data for the different types of energy use in 1978 and 1979 are not yet available, but it will be interesting to see if this improvement is maintained. It will also be interesting to see whether, after the recent increase in oil prices, energy consumption is reduced as dramatically as it was in 1974-75.

James Rothman

PURCHASING POWER

Although countries can be compared in terms of their growth rates, it is harder to achieve a fair comparison in terms of gdp per capita. This is because such comparisons will reflect differences in exchange rates. If the comparison is conducted in terms of 1980 £s instead of, say, 1977 £s, then Britain, whose currency has improved, will appear to have a higher standard of living even though its internal growth rate has been lower. This is offset by the fact that because of the exchange rate, prices in the country, once converted into a foreign currency, appear to be higher.

The fairest way of making a comparison then is to use purchasing power parities. These are exchange rates calculated in terms of what typical baskets of each country's purchases would cost in the other countries. Because the only British parity calculated by the EEC was for London, we have used the rates relevant to the capital cities rather than the countries as a whole. The rates used, together with the corresponding exchange rate for comparative purposes, are shown in the following table. If national figures or parities based on another currency had been used, the results obtained would have been affected slightly but not enough to alter the main conclusions.

	Purchasing power parity 1975	Exchange rate 1975
DM to £	[illegible]	5.45
Francs to £	11.88	9.50
Lire to £	1,408	1,447

Table 1—GDP per unit of energy

	1977 GDP per Capita (1) £ 000	1977 Energy consumption per capita (2) tonnes of oil	GDP per tonne of oil £	Rate of change in GDP per unit of energy 1973-75	1975-77	1977-79
Germany	2.7	4.2	630	5.4	0.6	−0.7
France	2.5	3.3	750	3.6	0.8	−1.4
UK	2.0	3.7	520	5.2	0.6	−0.5
Italy	1.7	2.4	720	0.5	1.1	1.3

(1) At 1975 prices converted at 1975 purchasing power parities.
(2) Gross final energy consumption converted into tonnes of oil equivalent (toe) on the EEC basis.

Table 2—Trends in energy consumption (per cent a year)

	1973-75 Type of user: Domestic etc (1)	Industry	Transport	Total (2)	1975-77 Type of user: Domestic etc (1)	Industry	Transport	Total (2)	1977-79 Total (2)
Germany	−5.2	−4.3	2.6	−4.5	4.9	0.9	5.2	3.3	4.5
France	−5.2	−3.7	0.6	−4.4	3.9	2.2	4.6	3.3	4.8
UK	−2.6	−6.9	−2.1	−4.7	2.2	−1.4	3.2	2.1	2.2
Italy	0.4	n	0.3	−0.3	0.5	3.7	5.1	2.8	2.2

n = Less than 0.05 per cent.
(1) Adjusted for population change.
(2) Including losses and non-energy uses.

Table 3—Industrial and transport energy consumption

	GDP per tonnes of oil used in industry or Transport £s	Rate of change in GDP per unit of industrial or transport energy 1973-75	1975-77	Rate of change in industrial production per unit of energy used in industry 1973-75	1975-77
Germany	1370	3.7	1.8	0.8	4.0
France	1540	1.6	0.9	1.8	2.2
UK	1199	6.0	2.7	2.5	4.4
Italy	1349	0.4	−0.1	−2.6	2.9

Table 4—How energy is used—1977

	Germany	France	UK	Italy
Total gross inland consumption—millions toe	258	175	209	134
Percentage derived from:				
Coal	28	16	34	6
Oil	52	61	43	67
Gas	15	10	17	16
Electrical and nuclear	5	13	5	10
Percentage used in:				
Final energy consumption	84	84	81	82
Non energy consumption	7	7	7	8
Losses	9	10	13	10
Final energy consumption—millions toe	216	147	169	109
Percentage used in:				
Industry	38	39	37	46
Transportation	17	20	18	19
Households, etc	45	42	46	35

Sources: Eurostate Energy Statistics Yearbook and IMF Financial Statistics.

European Social Fund has critics in Brussels

The European Social Fund (ESF) plays a not insignificant role in Community life. During 1979, it gave 770m ECUs (£470m) to finance 400 operations in the member-states. The appropriations allocated to the ESF by the Nine grow larger each year: they increased by 425 per cent between 1973 and 1979 and are expected to amount to some 900m ECUs in 1980.

The budget resources are therefore unquestionably large, but "social fund" is a misnomer. The ESF was set up to finance vocational training schemes—matching the cash provided by national governments, with which initiative for proposing projects lies—and it has largely adhered to this original function. Last year 80 per cent of the funds available were put into schemes of this type, the great majority of which were for school leavers, with others benefiting the handicapped, migrants, and workers and their families leaving agriculture and the textile industry.

People in Brussels are aware of this one-sidedness, given the level of unemployment in the EEC (6 per cent of the working population), and would like to see the ESF make a more determined effort in the direction of job creation. Last year aid for employment accounted for barely 10 per cent of expenditure from the fund.

As well as being limited in its range of activities, the ESF invites the accusation of being a medium for financial transfers to the poorest member states, rather than the instrument of a common policy: of the subsidies granted, 36 per cent went to Italy, 25 per cent to the United Kingdom, and 7.5 per cent to the Republic of Ireland (a substantial share for this country's small population), whereas West Germany received only 6.8 per cent and France 17 per cent.

Working on the basis of the definition of the most disadvantaged regions in the Community the fund directs not less than 50 per cent of its resources to these areas. The proportion allocated to them has been rising steadily (76 per cent in 1977, 79 per cent in 1978 and 85 per cent in 1979), ample proof of the crucial importance of the regional factor in the selection of projects to finance.

Many people in Brussels are critical of the regional aspect of the social fund which, seen in this light, duplicates the function of the European Regional Development Fund (ERDF). Unlike the ERDF, the social fund is not bound by any quota rules under which predetermined sums must be spent in each of the member states.

Moreover, it is pointed out in Brussels, the Commission, which has exclusive responsibility for managing the ESF, has to reject an average of 40 per cent of the applications for finance submitted each year by the European governments.

Criticism may not be justified on this score, but it is as regards the administrative delays in the Commission's processing of applications, despite the distinct improvement since 1977. At best it takes 18 months from the date of an application to the date of payment.

The member states' second cause for dissatisfaction with the ESF is the incompatibility of Community procedures with those of their own national administrations. How could it be otherwise as long as the Nine have different administrative rules? The British and Irish authorities, for instance, have made the effort to adapt to Community rules and it so happens that they have done well out of the European Social Fund.

Italy and France have not shown the same application, sometimes neglecting to comply with the procedures required in order to obtain payments for projects approved by the Commission, with the result that, in 1978 for instance, 36m ECUs (£22m) and 26m ECUs (£16m) were not paid to Paris and Rome respectively.

Even allowing for the shortcomings of some national administrations, the fact remains that the European Social Fund's criteria are too rigid to allow a flexible response to the economic crisis. This is perhaps the most serious criticism of the system. Apart from financing redeployment schemes for agricultural and textile workers, the fund has had no success in mounting action for other sectors in difficulties.

Attempts have been made, in the glass and building industries for instance, but they have foundered, not least because of opposition from member states fearful that the EEC would be venturing upon an unduly costly policy. From this point of view, judged in terms of application of a common policy to support the restructuring of European industry, the ESF is far from attaining its objective.

Marcel Scotto

EUROPA

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Denying EEC new depth would stunt its world role

The European Community puts one in mind of a group of travellers in transit, lost in some vast airport, wondering which way to go, torn between conflicting desires. The original course plotted by the Treaty of Rome expected a steady progress being made towards integration. But since the beginning of the journey it has been necessary on many occasions to mark time or cry off.

Some of these have been the disagreement on decision-making procedures in Luxembourg in 1966; the arrival of new travelling companions, one of which, Britain, clearly had its own ideas about the final destination. Others have been the failure of the plans for economic and monetary union; the disagreement over the route taken so far (the common agricultural policy) and the solution adopted to sort out Britain's difficulties. There have been so many accidents on the way, so many knife blows to the original contract.

This transition comes at a good time for reflecting on the *affectio societatis* and usefulness of the Community. Despite the continued survival of a spurious sort of linguistic veneer (the language of a Europe in course of integration—"harmonization", "common policies"), everyone is fully aware that Europe is going through a crisis of growth, one which is not without paradox.

For instance, at the same time as the cracks are showing in its original scheme, the Community is still the main trading power in the world and, as such, is canvassed by all the other nations, by some to open up its markets, by others to sign agreements offering development aid. And above all, in this period of destabilization in the world, Europe is being urged as never before by the other nations to define its position on the main focal points of international tension: Afghanistan, Iran, the Middle East and arms limitation.

Some people assert that under these circumstances what is needed is a period in which to sort out our ideas: "Let us give ourselves a couple of years in which to think things out, during which we can get through the difficulties on the way, such as the phase of economic recession or the Community's 1981 budget, without too many mishaps". There may be more than incompatibility between two of the scenarios which offer themselves for consideration: the British version of Europe and the Franco-German idea.

In Britain's view, as it demonstrates in all the positions which it takes up, the key to progress by the Community is stronger political cooperation. Sufficient evidence of this is provided by the role played—often as prime mover—by the Foreign Office in the formulation of the Nine's foreign-policy statements.

For the rest, if the British showed such dogged determination in their successful efforts to restore the balance between their contributions to the budget and what they got out of it, it was not so much through any wish to promote a new idea of solidarity among the Nine as a matter of their traditional attitude to the defence of their interests. Their basic economic ideas remain the same: a Europe trading openly with the rest of the world; buying what it needs, especially food, at the cheapest price.

This British offensive has lifted many a veil. Both the West Germans and the French, it seems to me, are asking themselves whether the chaotic rush into integration is not after all placing a millstone around their necks—and a mistake. It is seen as a millstone immediately for West Germany and a heavier one in the future—and probably for France also. It is regarded as a mistake at a time when enlargement of its membership to nine, and eventually to 12, is exacerbating the Community's internal contradictions and making it increasingly difficult to take common decisions which lead, not to inertia, but to steps forward.

Put another way, in the broadest terms, the Community would lower its sights in pursuing common policies, keep up appearances as regards progress achieved so far and concentrate its efforts on foreign policy and a limited range of schemes aimed at solving the problem of world monetary disarray or the difficulties of the developing countries.

I am no doubt irritating the supporters of an integrated Europe by outlining the future of Europe along such lines, but I have resolved to do so in order to get away from the lack of realism characteristic of current debates in the European Parliament and elsewhere.

Starting from a single observation—namely that the world is going through a period of profound change and there is a need for a reawakening in Europe—it is possible to demonstrate that the Nine's solidarity of destiny is such that a refusal to give the Community greater depth would not only preclude its enlargement, but also prevent it from playing the dynamic independent role which it sees for itself in world affairs.

This basic intuition is confirmed by the facts themselves. For instance, in the absence of effectively concerted economic policies at a time when intra-Community trade accounts for almost half their exports and an eighth of their combined gross domestic product, the Nine are careering headlong into a recession which is creating worse unemployment, increasing the disparities between regions and sapping economic dynamism. The Community's response to the energy challenge is derisory, as is the negligible progress made at summit level by the industrialized countries.

Europe is being caught unprepared by the third industrial revolution now taking shape and it is falling further and further behind in the technological race with Japan and the United States. The worsening economic crisis, especially in

continued on page III

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'Europa' looks at the special talents of four leading Community negotiators

It shocked Sir Roy

I was sufficiently conditioned by my British background to be a little shocked when I was asked to give my first press conference in Brussels", Sir Roy Denman recalls. "It would be unheard of for a permanent secretary in Whitehall to do anything so frivolous or irresponsible".

Trained in the self-effacing and supposedly apolitical tradition of the British Civil Service, Sir Roy clearly enjoys exploiting the extra elbow-room offered by his job as the EEC's Director-General for External Affairs.

Formally, his relation to Herr Wilhelm Haferkamp, the EEC Commissioner for External Relations, is comparable to that of a British Permanent Secretary to his Minister, but the analogy does not do full justice to the scope of the job. For the Commission has a quasi-political role which goes beyond the purely administrative and managerial function associated with most national bureaucracies. It also initiates policy proposals *and negotiates on behalf of* The Nine in international trade.

Admittedly, the Commission is bound to stay within the limits of the "mandate" approved by the Council of Ministers. But in practice the *terms of its brief* usually allow Sir Roy and his fellow negotiators a fair amount of leeway in interpreting the council's intentions.

"*When negotiating* an agreement you often have to give a bit more than member states would ideally have wished to concede, and then persuade *them* afterwards that the final outcome was in their best interests *after all. I find the* challenge stimulating", Sir Roy says.

At 56, he looks back on a distinguished career in the *British Civil Service which* began when he joined the Board of Trade in 1948 and ended in 1977 after two years as Second Permanent Secretary in the *Cabinet Office, in charge of co-*ordinating European policy.

Sir Roy has no desire to return to Whitehall and fully intends to finish his *professional career* as a Eurocrat. Indeed, he gives the impression of having never quite fitted in at home. "I am not sure that I was regarded as *altogether sound*", he recalls. "For one thing I enjoyed the *company of journalists.*"

He is depressed by the persisting insularity of British civil servants *and their lack of* interest in European affairs. "How *often do you see* a senior British civil servant reading a foreign newspaper? Officials in other member states are generally far better informed about what is going on in the rest of the EEC."

A grammar school boy, Sir Roy went on to read modern languages at Cambridge, and he speaks German fluently, and French very well. He passed the examination for both the home and diplomatic services, but *chose the former, partly* because he wondered if he would be "able to keep up financially with all those smooth young men drinking champagne at the Foreign Office".

In Brussels, Sir Roy's main concern has been the long drawn-out multilateral trade negotiations in Geneva, which were formally concluded last December. He also negotiated the new trade agreement with China, and has spent many fruitless hours trying to persuade the Japanese to buy more European goods.

Sir Roy caused a stir last year when a paper was "leaked" to the press in which he described Japan as "a country of workaholics who live in what *Westerners* would regard as little more than rabbit hutches".

Less comment was aroused by a later, and more revealing, passage in the *same paper, in* which he attributed Europe's inability to compete against Japan to *the erosion of the* Protestant work ethic "by egalitarianism, social compassion, environmentalism, state intervention and a widespread belief that working hard and making money are anti-social".

Holding views like that, Sir Roy might seem a natural choice when Mrs Thatcher considers *whom to send to Brussels* as the senior of the two British commissioners when the new Commission takes office next year. He agrees that he would *be interested but rates his* chances of being chosen about as high as that of "the Loch Ness monster's appearing in the Grand Place" (Brussels's main *square*).

Michael Hornsby

Truce arranged on textiles

M Tran van Thinh, a 52-year-old Frenchman of Vietnamese origin *who leads the Community's* permanent delegation in Geneva, can claim credit for one of the finest—although least known—*successes achieved* by the EEC over recent years: the definition of a new policy on imports in the ultra-sensitive sector of textiles, as *reflected* by an international agreement, the Multifibre Arrangement, which amounts to a truce between the Community and the Third World.

This happened in 1977, at a time when fabrics and clothing made in Asia, South America and Eastern Europe were invading the EEC market. Unlike the United States, the Nine had *failed to take advantage of* an arrangement to impose a minimum degree of restraint on the low-cost suppliers. Within the EEC, factories were closing one after another. To prevent a catastrophe, France had chosen to apply protective measures.

Negotiations on renewal of the Multifibre Arrangement were proceeding in Geneva. For all the critical scepticism of the member states (especially France, which was giving a fine demonstration of shortsightedness) the extraordinary M Tran managed to convince the Third World suppliers that stabilization of textile imports to the EEC was necessary and that the ceilings fixed for imports of a number of sensitive products from certain large suppliers, such as Hongkong and South Korea, had to be lowered temporarily. In other words he was asking them to agree voluntarily to a reduction in the advantages to which they were theoretically entitled according to the letter of the arrangement.

"The alternative is either to accept a cut in exports, although with great security for the future, or to face the certain prospect of a succession of protective measures adopted unilaterally by the EEC", M Tran *van Thinh explained*. The supplier countries jibbed at this, but finally accepted.

The arrangement signed in 1977 and the series of bilateral agreements subsequently concluded under it bear the Tran hallmark. A coherent policy on textiles had been born, giving welcome respite to manufacturers in the EEC, but still leaving Third World producers a substantial share of the Community market.

On the subject of the negotiating procedure, M Tran says that the most difficult task is to get the member states to agree among themselves; in *dealing with the other side*, it was necessary to have a coherent strategy and stick to it, but to show flexibility at the tactical level and above all to know and respect one's opposite number.

M Tran is no longer the Commission's special representative for textile negotiations. He is now based in Geneva, where he represents the EEC officially—and behind the scenes when necessary—in the *negotiations* on *international* commodity agreements (on tin, cocoa and so on) and on the machinery to be set up for the Gatt safeguard clause.

He is said to have played a significant role in the appointment of Mr Durkel as the new director-general of Gatt. Mr Durkel is Swiss, like his predecessor, and more familiar with EEC affairs than the Australian or Finnish candidates for the post. In short, he is in on all the deals which matter in Geneva.

The Multifibre Arrangement *expires at the end of this year* and *negotiations for its renewal* are due to start soon. He will not be handling them. But already everyone is coming to consult him, not only government representatives but also manufacturers, including the Americans. He will act as special adviser to the Community negotiating team.

The future? He is thinking in terms of energy, which could become the next great theme of negotiation with the United States and the Opec countries, provided that the *Nine manage to act in unison.*

Philippe Lemaître

Putting the case for a green Europe

With his square-set frame, short hair and gruff tone—something *in the style of a paratrooper*—M Claude Villain, who has been *director-general* for agriculture *at the European Commission* since July, 1978, scarcely corresponds to the traditional image *of the diplomat*, except perhaps in his thinking, which tends to *the right. He was not* trained for a diplomatic career; a graduate of the Ecole de la France d'Outre-Mer, he had a rapid rise through the ranks *of the French Ministry of* Finance and then in 1974, at the age of 39, he became director-general *for competition* and prices at the Commission.

Nor is his role a diplomatic one: working under Mr Finn Olav Gundelach, the Danish vice-president, he has the job of administering the Common Agricultural Policy. The two men, despite what has been suggested, *seem to get on together* fairly well and at all events, *judged purely in terms of* results, make an efficient team.

Their sizable task — and *there can be no more demanding* job in the EEC—involves *a considerable amount of negotiation.* This begins with the internal affairs of the Community: *nine-way talks*, which are family discussions in a sense, but *nevertheless difficult* and exhausting, with the constant need to *listen* and *repeat* the same arguments while waiting for the moment when political circumstances are favourable to a breakthrough.

But *in Brussels the real negotiating*—proof no doubt that the Community exists and that its members perceive it as such—is that which goes on with the *ouside world, in which the interests* of the EEC have to be reconciled with those of non-member countries.

The Commission's representatives, *spokesmen* closely overseen by the Nine, have an unenviable task: "*The negotiator* has to fight on two fronts, negotiating with the other side, that is the non-member country, and convincing the member states of the validity of the position taken up.

"The Commission has to take enough risks to maintain *its credibility*, but *not so many* that would cause its actions to be disowned", M Villain says. Matters are made all the more difficult by the impossibility of *maintaining tactical secrecy*: "There is always one member state which lets the cat out of the bag, letting the other side in the negotiations know the *Community's position*". This is particularly true in the case of agricultural negotiations, *although less so than in the past*, because many of the complaints laid against the Common Agricultural Policy by non-member countries are shared *by some member countries*.

Be that as it may, Mr Gundelach and M Villain seem well satisfied with the results achieved in the Tokyo Round *during 1978 and 1979. American* opposition to "green Europe" is becoming less virulent; the principles of the Common Agricultural Policy were safeguarded and the *concessions* made were more or less balanced out.

Last January, after the invasion of Afghanistan, M Villain *went to Washington for discussions* with the Americans on the machinery for putting into effect the embargo ordained against the Soviet Union. He was somewhat out on his own because there had been no time *to hold a meeting of the Council* of Ministers to agree a clear-cut position. *Once the* principle of European solidarity had been established, the main tasks were to safeguard the future, to agree upon clear *definitions of the commitments* entered into and to secure assurances from the Americans that they too would not take advantage of the situation. An example—would be the selling to traditional customers of the *EEC of the wheat not exported* to the Soviet Union.

The director-general for agriculture has plenty on his plate: negotiations are in hand with the *sheepmeat* suppliers, who are being asked to accept voluntary *limitations of their exports* to the EEC. The talks promise to be tricky, especially since New Zealand, which is an important sheepmeat exporter, *is simultaneously engaged in* talks on the quantities of butter that it will be able to *go on selling to the Community* after 1980.

The negotiations on the entry of Spain and Portugal into the Community are likely to be a vast affair. The problem of finding ways of maintaining *balanced markets in fruit* and vegetables, wine, and oils and fats in a 12-member Europe with a much more southerly bias will take a long time to *solve*.

This brings us back to the internal problems: "The Community has lived for too long without budgetary constraints. *Europe will have to learn to* live with poverty. From now on, in contrast with what has happened hitherto, expenditure cannot rise more quickly than revenues", M Villain explains.

P.L.

A strange dialogue

Mr Louis "Bob" Kawan, a Belgian, aged 54, from Brussels (where he read political science at the Université Libre) has been involved in relations between the European Community and the Eastern block since 1959.

"All negotiations with the East Europeans go on for a long time", he observes by way of explaining this impressive *irremovability* (which *has not* prevented him from being promoted to chief adviser, a high rank in the Brussels hierarchy). Indeed, it took more than two years of *intense* discussions which went on almost every day before the final act of the Conference on Security and Cooperation in Europe was *signed by the Community in* Helsinki in August, 1975. Even more significantly, the negotiations for an agreement between the Community and Comecon *started more than five years* ago and still seem far from drawing to their conclusion.

This is a *strange dialogue*, in which the parties' positions are not as *firmly* entrenched as they might seem at first sight. The Russians and their allies, who had originally ignored the Community disdainfully (they *were only prepared* to deal with governments), now recognize its institutions and rules and are no longer evasive about them. This is an appreciable step forward.

The Nine on their side, although *not keen to contribute* to the prestige of an organization which they consider too closely controlled by Moscow, seem to be reconciling themselves *gradually* to the idea that the absence of contractual relations between the Community and Comecon represents a handicap which must be eliminated, and that, given the importance which the Russians attach to this way of doing things, an agreement must be signed if more or less *normal relations* are to be maintained with the individual East European countries.

Events like the invasion of Afghanistan do not improve the climate. *But nor do they* prevent the progress towards normalization from pursuing its slow course. Mr Kawan met the Comecon negotiators again in *Geneva during July*.

Achievement of an agreement will be no snap deal. "All discussions with the East Europeans, even those concerned with individual *economic* sectors, are considered as part of *the overall negotiations*", Mr Kawan says. In the minds of the Russians, therefore, political considerations heavily outweigh the economic aspects.

A few years ago, they refused to sign a fisheries agreement with the EEC—although it offered them clear economic *advantages and talks were at an* advanced stage—because the Nine wanted it to contain the "Berlin clause" (included in all agreements signed by them). This was a statement to the effect that West Berlin is part of Community territory.

The *primacy* of political considerations often leads to extraordinary formalism; words assume great importance, as variations in formulation can be used to save face or to suggest some movement—however *modest. In this sense, therefore,* East-West negotiation is an exercise resembling Talmudism. It is a complex cerebral game whose intrinsic merits, quite apart from what is at stake, have clearly engaged Mr Kawan's total commitment.

Were these negotiations conducted in an atmosphere of distrust? "Let us say *rather that* you have to know the system", Mr Kawan replies, meaning that knowing the opposite number is generally working to fairly rigid instructions that allow him little room for manoeuvre, *so that it is rare to get that* kind of complicity between negotiators which is found elsewhere. He also implies awareness of the periodic need for *playing things down* and *putting* them into their proper perspective—getting the negotiating partner to agree that a difficulty or even a setback will not *inevitably have serious repercussions*.

It is a slow process and understandably frustrating at times. The parallel negotiations which Mr Kawan is also handling—on which Moscow does not look with the most favourable eye—are proceeding more smoothly and quickly, which is not to say that they are straightforward. A cooperation agreement was *signed with China* almost two years ago, and one with Romania in July.

P.L.

Denying EEC its world role

continued from page II

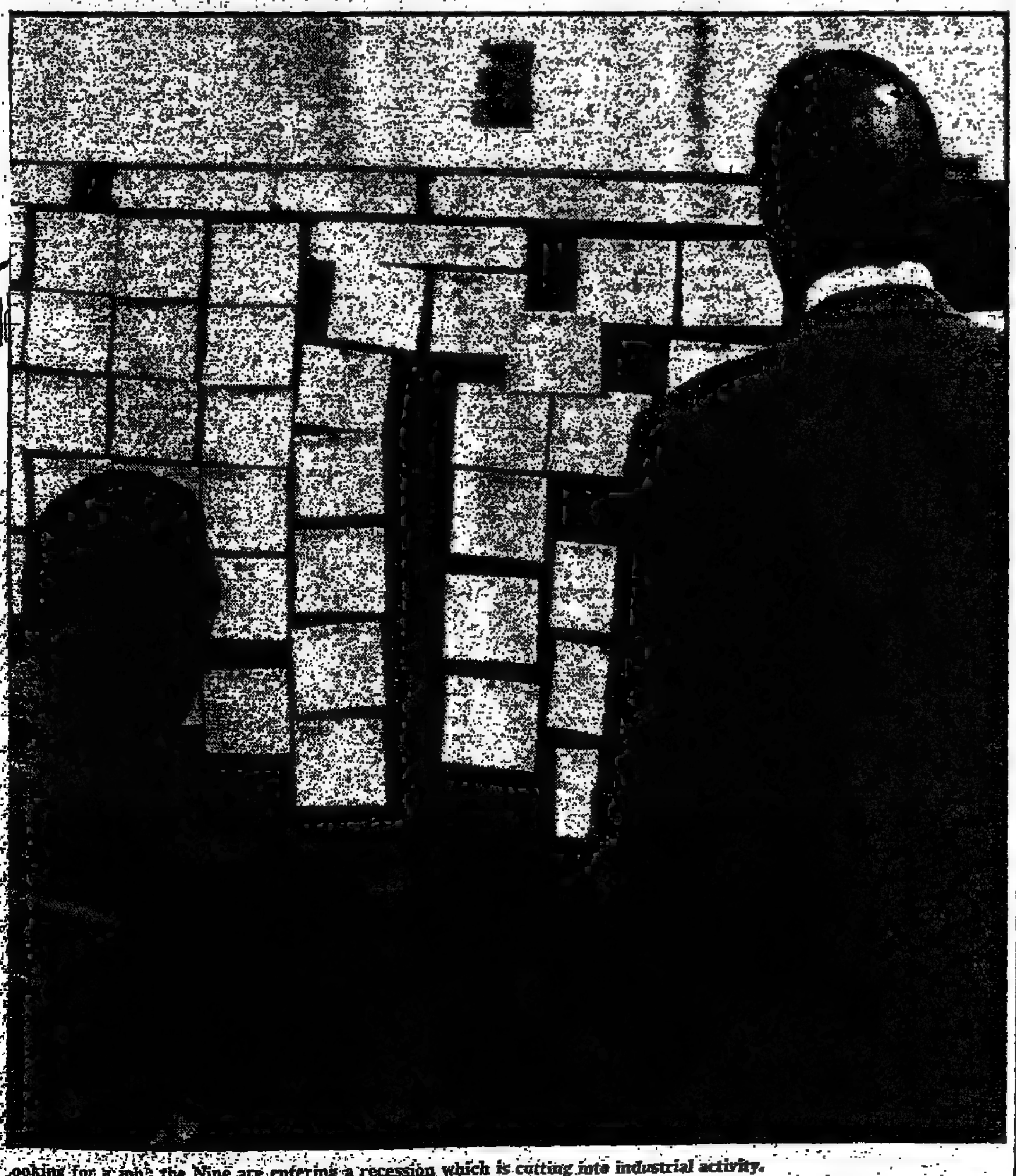
the tragic effects of deindustrialization on some parts of Europe, is sowing the seeds of social crises which could destabilize the Community.

And yet there can be Community responses inspired by the European ideal and *genuine* pragmatism. Wherever economic cooperation *is the relevant* instrument with which to meet the challenges of the 1980s, it should be used, whether by issuing Community loan stock to support business activity, provided that this does not hamper efforts to combat inflation or by pooling our resources and knowledge in energy. Other means are organizing European cooperation—the *only way* to achieve the necessary scale—to deal with the problems presented by the motor industry or the new information technologies, and creating a forum for social dialogue, followed by action, at Community level. Any number of examples could be quoted.

In other words, the central *reference point should* be the extent to which increased European cooperation can exert a positive effect, a multiplier effect on the efforts of individual nations. This can be the starting point for the formulation of Community responses, projects and strategies strengthening European cohesion and autonomy.

This, it seems to me, should be the approach of all those—the Council, the Commission, the European Parliament, the national governments—who are responsible before history for *determining whether or not the* future of Europe takes the course of solidarity.

Jacques Delors



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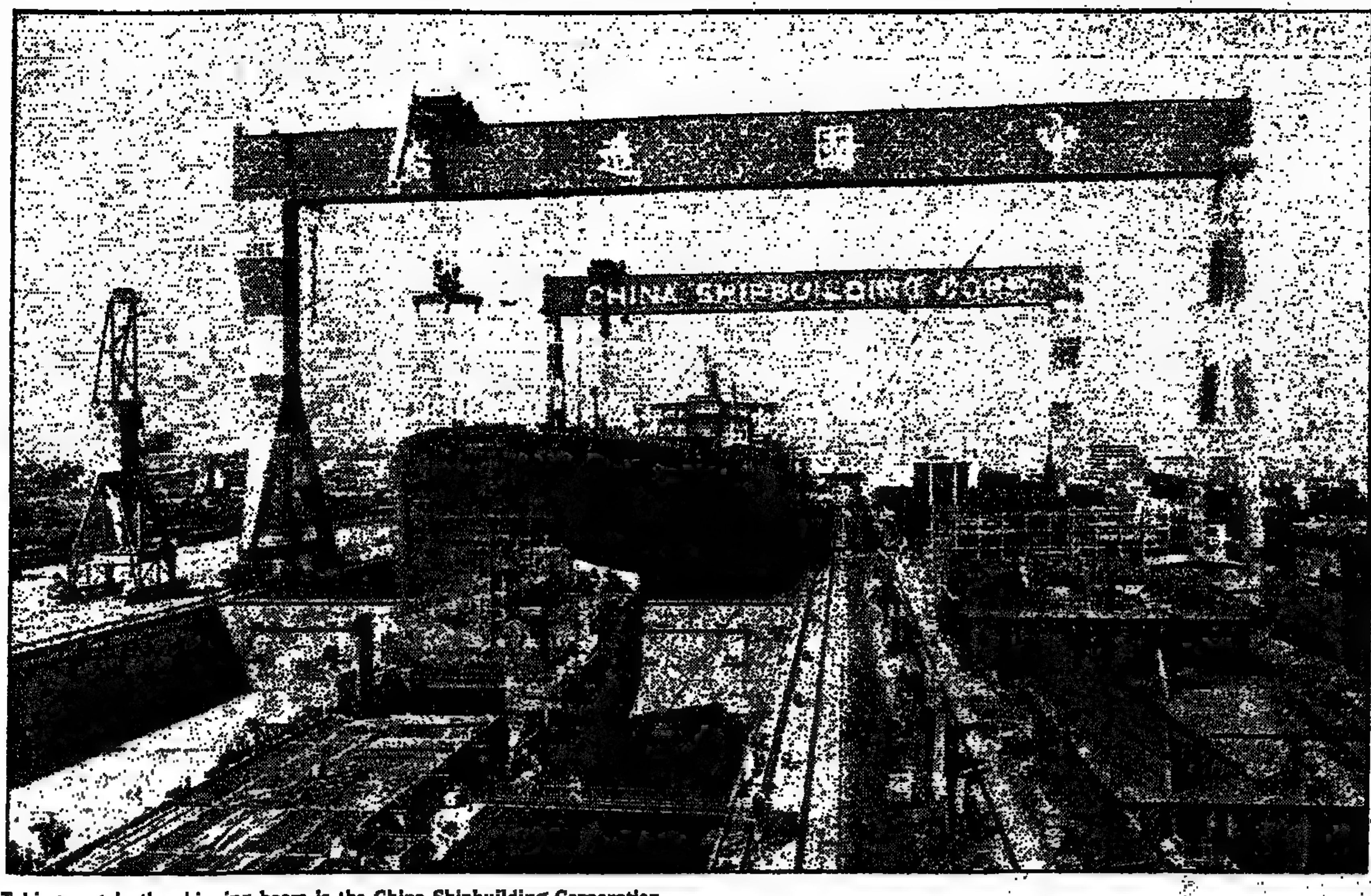

Taking part in the shipping boom is the China Shipbuilding Corporation.

Mr Wong Yi-ting is very cross with the European Community

Taiwan's share of the German mushroom market has fallen

Mr Wong Yi-ting, the Deputy Minister for Economic Affairs of the Republic of China, usually known as Taiwan in the West, makes no secret of his indignation at the European Community. "We are being discriminated against", he says, talking about Europe.

Taiwan, he explains, was for a long time Germany's principal supplier of mushrooms. The stocks of the three different selections on the shelves of German shops and supermarkets were of "ROC" origin, the letters standing for the Republic of China. But since for the European Community trade with Peking had become more important, the minister continues, the EEC decided to reallocate imports of these small tasty mushrooms, and Taiwan was left with a meagre 5 per cent share in the total requirement.

Soon though, Brussels was forced to recognize that its new friend on the mainland was not able to deliver what could be produced in little Taiwan. In the end, Brussels came knocking on the door in Taipeh, cap in hand, to ask whether the shortage in deliveries from Communist China could be made up. It could, for the Taiwan Chinese are ideal trading partners, reliable and quality-conscious.

Their great handicap is that they have no political means of strengthening their commercial relations. The political clout lies elsewhere, and Brussels takes more account of Taiwan's hostile big brother. Delegations from Taiwan, for instance, have difficulty in finding people ready to talk to them, or even in making their existence known. This does not mean, however, that trade relations between Taiwan and the EEC have been stifled.

In 1978 the volume of trade between Europe and Taiwan amounted to $2,900m and the island had a favourable trade balance of about $400m. This $2,900m represented 12.23 per cent of Taiwan's total foreign trade. Asia and the United States, with 35.8 per cent and 32.97 per cent respectively, were its main business partners, despite Washington's anxiety to cultivate good relations with Peking.

Trade with the EEC is flourishing. Since 1968 (when it amounted to $162m) it has risen steadily, except for one break in the pattern in 1976.

It is interesting to see how the different EEC countries share out the Taiwan cake. Germany is still the largest customer, with a 34 per cent share, but the trend is downwards. In 1971 the German share was still 42 per cent. This is an indication of the lack of finesse shown by the Bonn Government in its dealings with the Taiwan Government.

It is very different with the French. They have increased their modest 1971 share of 4 per cent to 7.7 per cent, and the trend is still upwards.

Germany is the only EEC country that refuses to give politicians from Taiwan more than a three-day tourist visa. "It is hardly consistent", Mr Chien says, "to attach importance to having good trade relations yet so far as political relations are concerned to behave as if Taiwan did not even exist. But his Government has decided not to go running after Bonn any longer. A senior member of the Cabinet will shortly be visiting Europe, and whereas he will be holding talks in Paris at the highest level, it has been decided to give Bonn a miss.

This presumably explains why Courvoisier, Creusot-Loire, Renault, Christian Dior perfumes and other French firms are making excellent headway, while German firms, from Joh Achelis to Zweigle, are disturbed, and wondering when the already appointed German chamber of industry and commerce representative will finally be able to take up his duties in Taiwan.

Commercially, the EEC's rapprochement with Peking has paid no dividend. EEC imports from Communist China in 1978 came to $1,200m, while those from Taiwan amounted to $1,600m, mainly consisting of tinned products and electrical equipment. The mainland was, however, a larger export market for Europe, taking goods worth $1,900m as opposed to $850m.

Growth rates in Taiwan are also an important factor. Lufthansa will be opening a route to Taipeh in 1981; the political rapprochement with Peking, and the operation of its route to the capital, have resulted in nothing but losses.

Taiwan is rapidly outgrowing the role of a low-wage country. The Philippines, in particular, has begun to take its place in this regard. Taiwan is attaching special importance to high technological standards, a high growth rate, low energy consumption, the training of skilled workers and good marketability. Grundig and Telefunken are competing in the recruitment of specialist workers in the Kaohsiung industrial area for the manufacture of television sets, with a consequent rise in wage rates.

Despite this devlopment, Taiwan still achieved a high growth rate in 1978, 12.7 per cent, against the 12.5 per cent in South Korea and the 8.5 per cent in Thailand.

But Mr Wong is still not satisfied. He has several requests to put to the EEC: access to multilateral trade agreements; eligibility for EEC tax exemptions or reduction in duties on Taiwanese products; abolition of unfair quota restrictions and import controls; prior consultation with Taiwan over controls and import quotas; exchange of views on economic and social conditions; improved representational arrangements for manufacturers and dealers; and speedier and easier procedures for the issue of visas to Taiwanese businessmen.

Whether the delegation that will shortly be visiting the EEC will be able to tick off any of the items on this list on its return is difficult to say. Since the EEC is an economic community, economic considerations will presumably carry the most weight.

There is one thing that Brussels should know: trade between Taiwan and its hostile brothers on the mainland is increasing. And Peking, notwithstanding all its ritual hostility, is eager that Taiwan should flourish and prosper. For Taiwan is a showindow for China: if 17 million can perform so well economically so the argument goes, what will 900 million people not be able to achieve once the necessary conditions have been created for economic taking off?

Hans-Herbert Holzamer

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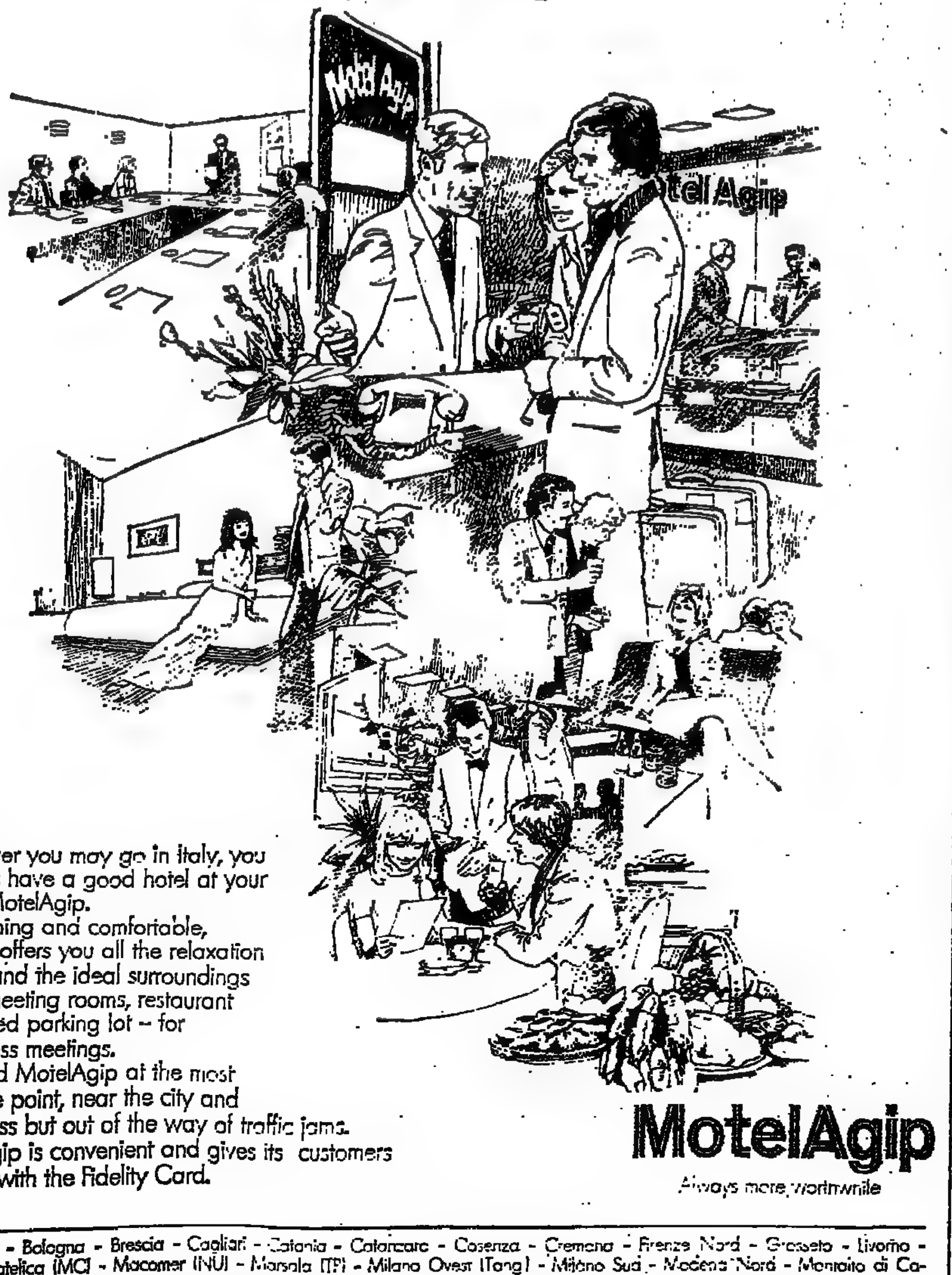

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Trade agreement with Yugoslavia gives new hope

New stage in alignment

The trade agreement between Yugoslavia and the European Community which was signed in Belgrade at the beginning of the year came into force on July 1. It is to run for five years, and can be extended by mutual consent one year before the termination date, or modified in accordance with any change in the economic situation of Yugoslavia or her West European partners.

In Belgrade the talk is of a "new stage" in the relations between communist Yugoslavia—although it is not a member of the communist block—and the Western countries of the EEC. From statements by leading Yugoslav politicians and senior officials concerned with economic affairs it can be deduced that Belgrade would like cooperation with the EEC to be even closer. But both sides realize very well that their cooperation, and the agreement, are peculiar in that the respective economic and social systems of the two parties are fundamentally different, even though Yugoslavia has absorbed, more than any other communist country, certain elements of a market economy.

Moreover, Yugoslavia is not at a stage of development, especially in the semi-autonomous regions and provinces in the south and east, that can be compared with that of Western Europe. The EEC has accepted that Yugoslavia's position is that of "an unaligned, European and Mediterranean country". From Yugoslavia's point of view the agreement with the EEC—an agreement with the Coal and Steel Community was concluded at the same time—means easier access to Community markets. More than 70 per cent of Yugoslav exports will in future be exempt from customs tariffs and quotas.

For most agricultural products, however, a common system of protective tariffs is in force. There are also restrictions on manufactured products which could harm producers in EEC countries. Yugoslavia can impose protective tariffs on EEC goods to protect its own market, of the kind applied by developing countries. Yugoslavia also enjoys most favoured nation treatment.

The agreement provides Belgrade with an excellent opportunity to expand its exports to Western Europe and to reduce its chronic trade deficit with EEC countries. Yugoslav economists have been alarmed for some time at the continuing deficit on Yugoslavia's foreign trade account, which recently caused yet another devaluation of the dinar. Between 1973 and 1978 Yugoslavia's exports to EEC countries dropped from 35 per cent to 22 per cent. Economic cooperation between Yugoslav and West European firms was marked by this deficit and the consistent inflationary growth in the Yugoslav economy, and failed to go beyond a certain point.

Moreover, the Yugoslav economic system was shown to be of no great help in boosting exports, especially to the West. Western firms with joint venture agreements with opposite numbers in Yugoslavia frequently complained about low productivity and lack of efficiency, which were more notable in some regions than others: in Slovenia, for instance, there is a certain amount of industrial tradition, but in the south a pre-industrial mentality is the general rule.

Some aspects of the Yugoslav self-management system too, with its complex structures and a tendency towards arguments at factory floor level, were intrinsically bad for exports. That the normal working day in Yugoslavia is from 7 am to 2 pm—a schedule that was originally introduced to enable workers to supplement their regular daytime jobs with a second paid job after work—in itself makes the country less productive than Western countries in which work continues till 5 or 6 pm. Attempts to alter this by those in Belgrade responsible for managing the economy have so far come to nothing in the face of bitter opposition from the workers and the unions.

But every politician and official in Belgrade who really understands about these problems knows that things cannot go on as they are. The Yugoslavs, who in recent years have come to know the blessings of the consumer society, cannot continue for ever to consume more than they produce. Living on credit must now stop: this was the message conveyed by the recent stabilization measures. The country, it was felt, had been living beyond its means for years.

The Yugoslav economy—consisting of self-management enterprises and "worker co-operative organizations"—has in the past been more concerned with importing than exporting. Such exports as there were went to the Soviet Union and Eastern Europe, a much easier proposition than exporting to the West. The Soviet Union became an especially easy market for Yugoslav products. Soviet trade representatives were prepared to make advance purchases of a whole year's production from Yugoslav firms, often without even having seen the merchandise. Quality was not a serious problem for the Yugoslavs under this arrangement, and they were able to sell to the Russians goods which other customers would have refused to buy from them.

The Yugoslav leaders began to be worried about the clear signs of a growing tendency on the part of Yugoslav firms and certain sectors of the economy to move towards the East, against a background of shortage of hard currency and mounting economic crisis. They wanted at all costs to avoid a one-sided dependency on the East, and to this extent the agreement with the EEC is a political instrument, designed to ensure that the country does not slide away unnoticed into the Eastern camp.

For the late President Tito's successors, who signed the EEC agreement against the background of the aged marshal's illness and impending death, an alliance with the EEC was, and is, a declaration of policy. By signing an agreement of this kind they were giving notice of their refusal to become economically dependent on the Soviet Union.

The EEC agreement also has implications for the economic, social and political structures of a Yugoslavia without Tito. Any country signing such an agreement must perforce realize that it will have to make its home industry competitive so that it can penetrate Western markets. Planning models on Soviet lines, and even less a planned economy, will be of no use. There must be exposure to the cold wind of market competition. Top quality mass-produced goods will have to be offered—and this again calls for Western-type technology and marketing; in short, an economy geared to performance and not to doctrine. If Yugoslavia, as appears likely, goes in this direction it cannot fail to have an effect on the general climate in the country.

The Yugoslavs now recognize that in the past they were too far gone themselves in enthusiasm for the consumer society, and omitted to look at the other side of the coin, the fact that the much admired living standards of Western Europe, which they aimed to copy, could not be achieved by consumption alone but depended in the first place on production and performance. It is now apparent too that many Yugoslav firms do not yet understand about tackling foreign markets jointly. Many of them are only too content to stay outside the arena of hard competition.

If the agreement with the EEC leads to even partial mobilization of the dormant forces of the Yugoslav economy—although it must be clearly understood that the East European mentality still prevailing in some parts of the country is a serious handicap—this would already be a big step forward, both economically and politically.

Yugoslavs are certainly not slow or lazy workers if they are given a target that can be achieved, as the experience of many EEC countries with migrant workers from Yugoslavia clearly shows. Indeed they are in great demand, and highly thought of, in Western Europe. It can surely only be through lack of incentives that the situation is still different in some parts of Yugoslavia.

Carl Gustaf Ströhm

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The rise in unemployment is rapidly becoming the Government's most pressing political problem. Last week's increase was of symbolic importance because it took the total figure for the United Kingdom over the two million mark. But even more significant was the increase in the underlying level of unemployment and the drop in the number of vacancies available to those seeking work.

All of these indicators show that the severity of the present recession is showing no signs of abating. Unemployment is likely to go on rising for the rest of this year and at least for the early part of 1981. There is no firm prospect of it falling below two million in the foreseeable future. Suggestions that the figure may rise to two and a half million, including school leavers, have a chilling plausibility.

The Prime Minister has stressed that there will be no change in economic policies because the policies are right. As the findings of the latest opinion poll indicate, this view is no longer held by a majority of the British people.

Government decisions are not made by opinion polls, yet it is clear that pressure for a shift in policy will grow throughout the winter. The trade unions at their Congress in Brighton will renew calls for a fundamental shift in economic strategy. Even some Ministers in the Cabinet would like to see the policy modified to ease the Government's stance.

Yet the fact of the matter is that Government actions to date have been a great deal less restrictive in practice than official statements suggest. Public spending has not been brought down in line with the Government's plans. There are also clear indications that public borrowing is exceeding forecasts.

Monetary policy, which was made the heart of the Government's strategy, is in a state of confusion. We do not know how fast the money supply is growing, we do not know how much the present figures are still distorted by the operations of the "corset" and we shall not be able to make a satisfactory estimate of the underlying rate of monetary growth for months to come.

The Government's monetary targets for the current year are clearly unattainable. Of greater long term consequence is the difficulty which this poses for setting any policy guidelines in terms of sterling M3. The authorities may choose to express their targets in those terms, but in practice they will be looking at the components which make up the money supply such as bank lending.

This remains surprisingly buoyant at the moment. Companies are managing to stave off bankruptcy by going deeper into debt, which in turn increases their interest bills and forces them to borrow yet more. As they do so, the authorities find it ever harder to control the money supply without resorting to a further rise in interest rates. A steady reduction in Minimum Lending Rate was the route by which the Government had hoped to assist industry this autumn. At the moment, the pressures are working in the opposite direction.

We have then a paradox at the heart of economic policy. The Government's stance has been less restrictive than it intended it to be yet the recession is turning out to be particularly severe. Industrial output is falling very sharply and employment everywhere is falling. Manufacturing is the hardest hit, yet the service sector, which went unscathed through the recession of 1974-75 is also losing jobs.

No one could pretend that this paradox would not exist if the Government had succeeded in meeting its monetary targets. It would indeed have been more pronounced because the recession would almost certainly have been greater and interest rates would have been higher. The relative monetary laxity of the past year may well slow down the rate at which inflation comes down to a more realistic level; but it is not the cause of our immediate problems, and indeed the monetary policy which has actually been followed may represent a more gradual and better line than the one which was intended.

The present recession springs from two sources. One is the extraordinary strength of sterling, which is imposing an unacceptable loss of competitiveness on all British industry which faces international competition. It is sometimes argued that a high exchange rate is like a cold shower; the weak may succumb but the strong are invigorated. That analogy hardly squares with the collapse in profits which has been experienced by ICI, one of our most efficient companies.

The strength of sterling has now reached a stage where unacceptable burdens are being placed on industry. It is true that these competitive pressures have done something to moderate inflationary pressures, but such a large proportion of the economy is partially insulated from world competition that the influence can be only a limited one.

A strong pound on its own would pose problems for industry. What has made those problems impossible to handle is that wage rises have so far shown too little evidence of responding to the recession. In recent weeks there have been some signs of a more realistic attitude to pay on the shop floor—as with the Lucas settlement yesterday—and there have been some agreements which fall well below the going rate of inflaton. The overall picture as yet shows little sign of improvement. Average earnings have risen by about 20 per cent over the past year and there is likely to be little fall in that rate until the end of the year at the earliest. The TUC keep up a rhetoric about unemployment without seeing that their pressure for wage increases has become a pressure to destroy jobs.

THE CONFUSION IN TEHRAN

The present situation in Iran is plagued by the fact that nobody agrees on the political rules. First Mr Abolhassan Bani-Sadr, committed to Ayatollah Khomeini but Western-educated and liberal in outlook, is elected president in a popular vote. But then a Majlis, or Parliament, is set up after an election distinguished by its irregularities, which produces a majority for the hardline, fundamentalist Islamic Republican Party. What is to be the relationship between the presidency and the parliament? Nobody knows. Mr Bani-Sadr attempts to nominate a prime minister, but his candidates are turned down by the IRP, and in the end he is obliged to name Mouhamed Ali Rajai, a man whom he heartily dislikes. Mr Rajai, in the latest development, has appointed a Cabinet of which Mr Bani-Sadr says he does not approve, although his approval, in the formal sense, is required by the constitution. Six months and more after the presidential election, and eighteen months after the Shah's overthrow, it is still not clear whether Iran has a government.

The trouble is that what is being played out in Iran is not a game at all but an experiment which could have disastreus consequences if it fails. What began in the euphoria of revolution has deteriorated to the point where the prevailing anarchy, paranoia and abuse of power are in their way, as bad as anything which obtained under the Shah.

It may be that Mr Bani-Sadr, who for many people embodies hopes of a more enlightened turn of events, can manage to hold on, and in doing so help to define some more or less democratic form of government in which the fundamentalist clergy who control the parliament might reach an accommodation with the more technocratic, educated young men of Mr Bani-Sadr's stamp. The new Cabinet, for that matter, does not represent an outright defeat for the President; he was able, for example, to reject the IRP candidate for the Interior Ministry, forcing Mr Rajai to keep on the present incumbent. On the other hand, the key portfolio of defence has been left open for the time being; and the appointment of Mr Hossein Moussavi as Foreign Minister is a considerable blow to the President, who tried to block the nomination but proved powerless to do so.

The point is not, as some have suggested, that the new Cabinet is young and inexperienced. The outgoing Foreign Minister, Mr Sadeq Qotbzadeh, is a colourful figure whom many will be sorry to see go. But he too had no experience of office when first appointed. What he did have, like other departing ministers was a lack of fanaticism, coupled with a high degree of political sophistication. The chief claim to fame of one of the newly nominated Commerce Ministers, Mr Sayed Assadollah Laivardi, is that he once helped to blow up the Tehran offices of the Israeli airline, El Al.

Iran is faced with a number of problems, including discontent among the Kurdish minority and border fighting with Iraq, which need to be tackled rationally and sensibly. Above all there are still fifty-two American hostages in Tehran, and their fate largely hangs on the Parliament, which yesterday sent back for redrafting a reply to an appeal from 187 American Congressmen. The fact that the first draft took a month to complete and an hour to read out, yet was considered insufficiently detailed in its cataloguing of American misdeeds and iniquities, does not give much room for encouragement. Moreover, the letter restates the familiar demands. However, the fact that an intensive discussion is evidently going on in Iran does in itself suggest that some movement may yet be possible.

British Council cuts

From Mr Samuel Milberg

Sir, I am writing on behalf of the Asociación Argentina de Cultura Inglesa, founded in the city of Buenos Aires in 1927 with the purpose of teaching the English language and making British culture available to the people of our country, a task which it has so far accomplished with the general approval of Argentinians and British people.

In July, 1942, a British Council office was set up in our city for the first time and that was the beginning of a close and fruitful bond between both organizations.

I do not deem it necessary to give a lengthy account of the British Council's achievements over these 38 years among us, but I should like to mention briefly (1) the teaching of English, in collaboration with the National and Provincial Ministries of Education; (2) their readiness to provide all sorts of information about education and different aspects of British life; (3) their encouragement of cultural exchange in science, technology and medicine at the highest level; (4) their sponsoring all sorts of artistic enterprises, theatrical, musical and others; and (5) the organization of exhibitions of British books and the generous donation of teaching materials to state schools and non-profit making organizations.

I am no authority on the subject so it would be an unforgivable intrusion on my part to disagree with the economic policy at present under the consideration of the highest British authorities.

However, I cannot keep silent about the fact that the effective work carried out by the British Council all over the world has been seriously impaired by the cuts on its budget, and, to judge from the news which has recently reached us, the still greater cuts that are to be implemented in the next three years will hinder even more, if that were possible, its unquestionable educational function, already weakened in Buenos Aires by the first round of cuts.

I should be very grateful in the name of this Association, if you would publish this letter, the purpose of which is to draw attention to the work done by the British Council, which has kept the British flag proudly fluttering in every corner of the world, and very specially so in the Argentine Republic.

Yours faithfully,
SAMUEL J. E. MILBERG,
President,
Asociación Argentina de Cultura Inglesa,
Suipacha 1333,
Buenos Aires,
Argentina.

Decline of Parliament

From Dr David Jessop

Sir, Jean Blondel (article, August 15) professes "bafflement" at "The puzzling decline of Parliament". This title is misleading for the article dealt mainly with the disintegration of the Labour Party and the trivial topics discussed at Westminster rather than with the decline of Parliament's importance within the Constitution as such. It should come as no surprise that party alignments change and this is especially true of the Labour Party which has always been a party of factions united behind common social aims; as these social aims have been realised, inevitably new political groupings have arisen. This is hardly an indication that Great Britain is politically unstable, rather it is a sign of the vitality of party politics in this country.

The disturbing problem is the decline of parliamentary influence and the gradual tipping of the constitutional scales in favour of the Executive and the bureaucracy. This is the reason why fewer of the electorate now vote than did 30 years ago. The House of Lords has been made visibly impotent. The House of Commons still has certain powers but more often than not chooses not to exercise them. It is no longer enough for an ambitious man to become an MP. Entry to the Commons is seen as the way to government office and patronage rather than as an honourable career in itself.

Government and Whitehall are openly contemptuous of Parliament. The resulting overbalanced constitution means that "the people" are largely ignored, our "liberties" are restricted, and power is concentrated too often in the wrong hands.

We do have a constitutional problem but it is not about the decline of the Labour Party. Parliament has allowed Government and Whitehall to have too much power.

Yours faithfully,
D. JESSOP,
57 Abbotsford Gardens,
Woodford Green,
Essex.
August 16.

Blossoming unhindered

From Mr O. H. F. Guillebaud

Sir, One gain resulting from the Government's cutbacks on public spending is the abundance of wild flowers blooming on roadside verges this summer, the wet season having no doubt enhanced the display which has followed economies in verge trimming and spraying.

Have your readers observed other actual benefits resulting from similar reductions in the activities of our public services? Or could it be to the advantage of us all to suggest a few?

Yours etc,
O. H. F. GUILLEBAUD,
Chantry Cottage,
Ampney St Peter,
Cirencester,
Gloucestershire.

LETTERS TO THE EDITOR

Tourist delights in London

From Lord Hertford

Sir, The article by Mr Richard Ford on August 18 was so unfair and so derogatory to the tourist trade that it requires contradiction.

I am not a Londoner, and as President of the Heart of England Tourist Board I have a duty to encourage tourists to spend their time and their money in the Midlands; but in all honesty I cannot decry London.

London is one of the greatest tourist attractions in the world, and rightly so. Its theatres and music are the best. Its hotels are the best. Its art galleries are among the best. Its parks and squares and public gardens are by far the loveliest in Europe. Its food and drink are very good indeed. Its inhabitants are polite and friendly and helpful.

Of course it is expensive—who ever had cheap caviare? But to complain about waiting for 15 minutes to see such miracles of European art as the Henry VII Chapel in Westminster Abbey or the Crown Jewels in the Tower of London is really ridiculous. People queue for longer than that to see my own humble home. With my wife and children I queued for nearly three hours to see the Tutankhamun exhibition at the British Museum: it was well worth it.

Much of London is entirely free: the National Gallery, the Changing of the Guard, many of the museums, the amazingly beautiful architecture of the streets and squares: it is all there for the tourists, who should surely be able to resist the temptation to buy ice creams at higher prices simply because they are where they are when they are wanted.

London provides a wonderful experience for millions of tourists, some of whom also sample the cheaper pleasures of the English countryside. I only hope they enjoy it enough to come again.

Yours faithfully,
HERTFORD,
Ragley Hall,
Alcester, Warwickshire.

An international Jerusalem

From Lord Banks and others

Sir, Following Crown Prince Fahd of Saudi Arabia's declaration (report August 15) that Israel's recent annexation of East Jerusalem has made moderate Arab policies useless and "the Arabs' and Muslims' call for a prolonged and persistent *jihad* (holy war) the only reply to this Zionist religious and racist haughtiness", may we propose another alternative? That is to say, the internationalizing of Jerusalem as a whole. We would hope that both Arabs and Israelis might ultimately be persuaded to accept this solution, which has of course been frequently canvassed in the past. Today unfortunately it appears to lie dormant.

The only other alternative suggested recently has been that Jerusalem should again be divided into East and West, with a joint municipality of Arabs and Jews, allowing free access to their holy places for all races and religions. But such a solution perhaps resembles too closely the divided Jerusalem before the 1967 war, which was a constant cause of friction.

However, complete internationalization of the Holy City—holy not only to Moslems and Zionists but to Catholic, Orthodox, Armenian and Protestant Christians—and guaranteed by the United Nations, should surely be acceptable both to Israelis and Arabs? For the only alternative, a holy war between them, is unthinkable, since there might then be no Jerusalem left to be the "eternal" capital of Jews, Arabs or the Christian Faiths.

Yours faithfully,
BANKS,
BESSBOROUGH,
STEWART OF FULHAM,
House of Lords.
August 20.

The Whitehall machine

From Lieutenant-Colonel J. E. P. Sampson

Sir, The Secretary General of the Council of Civil Service Unions (August 20) has his sights on the wrong target.

Whether responsibility for the administration of the Civil Service remains with the Civil Service Department or reverts to the Treasury—or goes anywhere else—there will be no fundamental improvement in management so long as departments remain administratively autonomous.

Responsibility without power to direct is useless, and any civil servant who is the victim of mismanagement should know that, if necessary, he may obtain redress at the hands of the Head of the Civil Service.

Yours faithfully,
J. E. P. SAMPSON,
22 The Farthingales,
Maidenhead,
Berkshire.
August 20.

Breeding zoo animals

From Miss Patricia Moynagh

Sir, To add to Mr John Mein's letter of August 30 about breeding animals in captivity, I should like to question, now that we understand more about them and have learned that they have egos and personalities—more often superior to ours—what right have we, in order to preserve them for our selfish means, to imprison them in climates often alien to their habitats? Much better they live out their natural instinctive lives, with all its risks, than be caged in like vegetables.

The last time I went to the London Zoo I cried to see the elephants in their concrete prison, and the other large beasts aimlessly pacing up and down in their confined spaces.

At least, such animals as gorillas and pandas have enough sense not to breed, which is more than we humans have, with the threat of nuclear destruction and Western materialism.

Yours faithfully,
PATRICIA MOYNAGH,
31 Betterton Street, WC2.
August 31.

Development of wind-assisted ships

From Air Commodore C. T. Nance

Sir, Your Shipping Correspondent's note, "Oil prices put sails back on the horizon" (August 9), draws attention to the need for Britain as a maritime nation urgently to put resources into study and development.

It is no secret that the Department of Industry, under the Government of Mr Callaghan, wisely financed two studies in this field, one at either end of the technology spectrum (a modernized classic barque, and a vertical-axis wind-turbine), but it is perhaps not so widely appreciated that the effect of the policy of Mrs Thatcher's Government, that work of this nature should in major part be financed by industry itself, has been to put a complete stop to such work: a stop which has now persisted for over 12 months.

Is it not a necessary concomitant of such a policy that the minister concerned should put to the leaders of the relevant industry (in this case the General Council of British Shipping) the guidance that the mantle of leadership previously borne in whole by government in the national interest should now fall primarily upon their shoulders?

Shipowners deceive themselves if they believe that, on the one hand, they do not even need to study whether wind-assisted ships pose a threat to the economics of their next generation of fuel-only ships; or that, on the other, wind propulsion systems of the kinds forecast by your correspondent (including wind turbines, Flettner rotors, aerofoils and airborne sails) ready-matched to their trades and routes, will somehow develop themselves without their own involvement or investment.

They would be wise to reflect that the supply of wind energy available on a given route over the lifetime of a ship can be assessed with substantially greater accuracy than the cost of its fuel, and to put in train the necessary studies as a matter of some urgency.

Yours faithfully,
C. T. NANCE,
Mornington,
Cowes,
Isle of Wight.

Back to animal power

From Dr W. Ross Cockrill

Sir, I refer to the news item, "Oil prices put sails back on the horizon", on page 1 of *The Times* of Saturday, August 9, by your *Shipping Correspondent*. Mr Michael Baily cogently draws attention to the prediction that sailing ships will return in force to world trade routes if oil prices continue their rapid rise.

It is, I think, appropriate to indicate that a similar "revolution in reverse" is taking place in the case of the working animal. In all the developing countries draught animals—water buffaloes, oxen, equines and camels—are of immense and by no means declining importance. There is a widespread but totally fallacious belief that the use of the work animal is indicative of a primitive and backward agriculture.

The rate of advance of mechanization has been slow and is now decelerating in the face of oil scarcity and rising prices. It is worth noting that on land as on the seas there is a new or appropriate technology which is bringing remarkable results. Improved ploughs, harrows, vehicles, harness and equipment are leading to greater efficiency and enhanced work output. In the long run this reversal in the use of scarce and expensive fuel may prove to be a great and advantageous development.

The skilled usage of the animal is the most efficient and economic way of getting the job done quickly and adequately, especially in the many countries where there is no shortage of either animal power or manpower. Probably as much as 80 per cent of the world's cultivable land is tilled by man and his animals, while millions of people derive their livelihood from road haulage by work animals.

Yours faithfully,
W. ROSS COCKRILL,
591 Vale do Lobo,
Almansil 8100,
Algarve, Portugal.

Welsh television

From the President of Plaid Cymru

Sir, In denying the existence of a consensus in Wales on the need for a fourth channel Welsh television service Mr Tom Hooson (August 18) rather incongruously relies on the existence of a Home Office working party report. Since this was published in 1978 it obviously did not affect the Conservative manifesto pledge of 1979 to concentrate Welsh language programmes on the fourth channel, nor the endorsement of this policy in the Queen's Speech. The use now being made of its rediscovery shows how assiduously the Government is scraping the bottom of the barrel.

Mr Hooson says that the report favoured splitting Welsh language programmes between one BBC and one IBA channel—"precisely the advice the Government is following". This is disingenuous or worse. No such advice was given. The relevant words of the report were, "an ITV-type service supervised by the IBA . . . would have serious implications for the BBC Wales' and HTV Wales' joint Welsh language programme service . . . (because) both organizations wish to maintain the distinctive identities of their respective channels. The IBA for its part could represent that it did not wish to see any of the ITV2 broadcasting time used to broadcast any BBC programmes. . . . The BBC for its part would wish to avoid such a situation, and could indeed do so by representing that BBC programmes, including its Welsh language programmes, should be broadcast only on BBC channels. The Siberry proposals for a Welsh language service jointly operated by the BBC and HTV *would be invalidated on these assumptions* (my italics); and this leads us to the conclusion that, in the interests of the viewers in Wales (*sic*) the BBC and IBA should each accommodate the Welsh language element in its output on one of its own channels in Wales."

In the event the assumptions were incorrect. This is the crucial fact. The IBA has stated that it has no objection in principle to the BBC broadcasting its Welsh programmes on IBA 2 in Wales. The BBC for its part is strongly in favour of putting its Welsh programmes on IBA 2.

Of course the IBA want IBA 2 (possibly Harlech still) to have a clean identity as a Harlech channel, even if its concern is to preserve its profits, not the Welsh language. But this invalidates the fourth channel policy only on the further assumption that the Government's ideology allows a commercial company to determine its policy.

Mr Hooson is strong for avoiding ghettoes and for disseminating the Welsh language more widely. This he and the Government would do by taking Welsh language programmes off the popular channels, BBC 1 and ITV 1, and scattering them between midday and midnight on BBC 2 and ITV 2 which will be seen all told by about 15 per cent of the people.

Those who did not want all the Welsh language programmes to be concentrated on the fourth channel wished a proportion to be retained on the popular channels. There was a case for this as Annan noted. But from the standpoint of the welfare of the language there is no case at all for sweeping them *in toto* off the popular channels, as the Government intends doing, and then scattering them on minority channels, *making it impossible to build* a substantial viewing public.

Yours faithfully,
GWYNFOR EVANS, President,
Plaid Cymru,
Talar Wen,
Llangadog,
Dyfed.

From Mr James Thomas-Williams

Sir, The possible death of Gwynfor Evans would have repercussions throughout Wales. If the Government wants Wales *not* to become like Ireland, then it will make possible the fourth channel *without delay*.

Let us hope that the Government will do this.

Yours faithfully,
JAMES THOMAS-WILLIAMS,
Friends International Centre,
Torrington Place, WC1.

From Mr N. Carden

Sir, In this part of England it is a disadvantage to speak English. Our "local" television services are provided by BBC Cymru and HTV Cymru, while Radio 4 VHF is often replaced by Radio Cymru. Thus a whole range of our daily televisual fare is made in Wales for the Welsh.

Of course, there may be non-Welshmen who are interested in such matters. The problem is that these programmes are usually in Welsh. It is said that the Welsh language is dying. It has never been well in Cheshire, and I would ask those responsible for the fare of Welsh television and the fourth channel to bear us in mind.

I am, Sir, yours faithfully,
N. CARDEN,
1 Homecrofts,
Marshlands Road,
Little Neston,
South Wirral, Cheshire.

Incident in Italy

From Mr W. J. Money

Sir, It is ironic that Mr Hinchy (August 16) should argue in Reder's defence that he was "only" in the Marzabotto region for four days in the week of September 29 October 5, 1944. During that week at least 1,200 Italians of both sexes and all ages were killed there by the SS units of which he was a member. Some had died before this, and others were to die afterwards, but most died in the series of dreadful massacres which occurred on and near Monte Sole during the three days September 29/October 1.

Because these "incidents" took place in scattered collecting points (villages, farms, churches) and over several days, there were many escapes and survivors. One hopes that their testimony (see, for example, J. Olsen's account, *Silence on Monte Sole*, Pan, 1971) will be at least as acceptable as the German War Diaries which Mr Hinchy cites. No one denies that a battle occurred; what matters is that it was preceded and accompanied by the separate and deliberate slaughter of the local civilian population.

It is erroneous of him to assert that the local partisan brigade was communist. Its nucleus was a group of deserters from the carabinieri; it drew the bulk of its local recruits from the conservative peasantry of the area, and by September, 1944, it was swollen by large numbers of deserting foreign conscripts and escaped prisoners of war. For quite different but fairly obvious reasons it suited the communists, the fascists and the Germans alike to claim that this "Stella Rossa" brigade was communist. On the one hand the party was able to appropriate the credit for the brigade's heroic exploits, and on the other it justified the most brutal measures of repression. Why Mr Hinchy should make a similar claim is less clear.

It is, however, invidious of him to suggest that these fearful massacres did not happen and to imply that the partisans were to blame for any civilian casualties which occurred during Reder's "legitimate military operation".

In sum, his argument is yet another variant of the theme, "It never happened, and if it did it was all their fault anyway". As such it is both childish and dangerous nonsense, for it helps to obscure not only the fact that such things *did* occur, but that they *can* occur in even the most civilized and advanced of societies. To try to hide such "incidents" behind the cloak of military necessity in the end neither obscures nor legitimizes them: it merely increases the chance that one day we shall see their like again.

Yours sincerely,
W. J. MONEY,
University of Glasgow (Department of Social and Economic Research),
Adam Smith Building, Glasgow.

The match that failed

From Mr R. S. Alexander, QC

Sir, Any ugly moments at Lord's on Saturday are to be deplored. But for every individual who regrettably gave vent to his feelings there were many thousands deeply frustrated not only at the lack of play but also at its consequences for the match. The umpires have borne the blame. The authorities are said to have been imaginative in supporting extended playing hours, despite the fact that the idea of playing until 8 pm on Saturday apparently ignored the lack of floodlights. The plain fact is however that, barring a miracle or a contrived finish, the Centenary Test Match has fizzled miserably.

Yet Sunday was fine weather; the crowd could have come. Why was there no play? At the beginning of last week we were told that to play on Sunday in the event of a washout on any earlier day would have been unfair to ticket holders for Monday if the match had finished in three days. This is, on its face, just understandable. But how many Test matches finish in three days? And could it not have been discovered that the groundsman was preparing a wicket which could well prove, as it did in the event, plumb and easy paced?

The weather forecast was for bad weather at the end of the week. By Thursday evening it was virtually certain and by Friday lunchtime clear beyond all doubt that the match could not finish in three days. We all know that there is much preparation for an important cricket match, but this was a great occasion which in the end will have been principally rich only in nostalgia.

It is hard to believe that enterprising contingency planning could not have included the possibility of Sunday play, with a final decision to be taken when the very slight risk of injustice to Monday ticket holders was no longer possible. This would have ensured some reward to those many enthusiasts who were denied play on Friday and Saturday and it would have kept the game more alive.

Yours faithfully,
ROBERT ALEXANDER,
Weedon Lodge,
Weedon,
Buckinghamshire.
September 1.

Cyprus treasures at risk

From Mr Mustafa Adiloglu

Sir, Since Mr John Torode chose to give my name to authenticate his own account of a small village church (August 19) I feel I have to set the record straight:

1. I find the picture highly exaggerated. There was no trace of any church Bible anywhere, nor did I see any "fresh excrement".
2. The tiny church was near Maratha village where the entire Turkish-Cypriot population had been murdered and buried in mass graves by Greek-Cypriot thugs in August, 1974 (Exhumation, September 2, 1974, witnessed by United Nations forces and foreign press). Mr John Torode should have refrained from generalising, if only for the sake of this "locality".
3. Similarly, most of the damage to church property in the Turkish zone occurred at places where there had been mass murder of Turkish-Cypriot civilians by Greek-Cypriot fanatics, often led by Greek orthodox priests.
4. Finally, while welcoming Mr Torode's suggestion that the two negotiators should appoint an impartial committee to deal both with churches and mosques, I feel his *timing is unfortunate*.

Yours faithfully,
MUSTAFA ADILOGLU,
Press Counsellor,
Office of The London Representative Turkish Federated State of Cyprus,
28 Cockspur Street, SW1.

Video cassette library

From Mr P. J. Ferres

Sir, You report in your edition of August 11 the admirable plan to establish a public video library at the Institute of Contemporary Arts but incorrectly describe it as "Britain's first public access video library". In fact, Britain's (and possibly the world's) first public access video library was opened here on Tyneside in September 1978 at the Bede Gallery, Jarrow. It began with 40 films on video cassette and now has ninety.

The library at the Bede Gallery, which specializes in films on the visual arts, is based on the same notion which has inspired the ICA: that there are many important films in existence which might not fill a cinema but which can be made accessible on video cassette to audiences of small groups or even a single visitor. It is a simple and sound idea and might easily occur to different people independently, but in fact the ICA did borrow from the Bede last year.

Yours faithfully,
PETER J. FERRES,
(Film Adviser to the Bede Gallery),
8 Bath Terrace,
Tynemouth,
North Shields,
Tyne & Wear.
August 14.

Caught at mid-wicket

From Mr David Pearl

Sir, Not all mid-wicket conferences concern matters of import. Last season, I once came to the wicket when the score was 12 for five. The other batsman, who had been there from the outset, solemnly beckoned me to mid-wicket to give, I assumed, some useful advice as to what I should do. "I'm sorry to trouble you", he said, "but I've just lost a fly-button. Would you mind keeping a look-out for it?"

Unfortunately, I did not remain long enough to assist him in the search.

Yours faithfully,
DAVID A. PEARL,
Captain,
Poet's and Peasants' Cricket Club,
7 Stone Buildings,
Lincoln's Inn, WC2,
August 19.

COURT CIRCULAR

BALMORAL CASTLE
September 1: By command of The Queen, the Viscount Long (Lord in Waiting) was present at Heathrow Airport, London, this afternoon upon the arrival of The King and Queen of the Hashemite Kingdom of Jordan and welcomed Their Majesties on behalf of Her Majesty.

YORK HOUSE
ST JAMES'S PALACE
September 1: The Duke of Kent today visited "Industry Day" at the Farnborough International '80 Air Show and was entertained at luncheon.

His Royal Highness, who travelled in an aircraft of The Queen's Flight, was attended by Lieutenant-Commander Richard Buckley, RN.

The Prince of Wales, as patron, will attend a briefing and luncheon of the British Deer Society at Findlater House, 92 Wigmore Street, London, on October 23.

The Prince of Wales, on behalf of the Queen, will hold an investiture at Buckingham Palace on October 29. Later, as president, he will attend the chairman's meeting of the Friends of Covent Garden at Stamford House, Stamford Street.

Princess Anne will visit the police headquarters at Hutton, near Preston, on October 28. She will later open the accident and emergency department of the Blackburn Royal Infirmary.

Princess Anne, as president of the Save the Children Fund, will open the Express Dairy at Morden, Surrey, on October 29.

The Duke of Kent, as chancellor, will attend the congregation for the conferment of honorary degrees at the Surrey University, on November 28.

Birthdays today

Mrs Heather Brigstocke, 51; Professor David Daiches, 68; Sir Arthur Drew, 68; Sir Stanley Fordham, 73; Lord George-Brown, 66; Sir Edward Goschen, 67; Lieutenant-General Sir Edmund Herring, 88; Air Marshal Sir Paul Holder, 69; Mr P. B. Lucas, 65; Lord Paget of Northampton, QC, 72; Sir Alexander Ross, 73; Viscount Simon, 78; Professor George Temple, 79; Lord Williamson, 83.

Latest appointments

Latest appointments include:

The following to be members of the English Board for Nursing, Midwifery and Health Visiting for up to three years:

Professor Baroness McFarlane of Llandaff, Dr S. Pembrey, Mrs V. Durston, Mr R. Earle, Mr D. Crawford, Miss D. MacCormack, Mrs E. Craggs, Miss S. Collins, Mr D. Green, Miss M. Green, Miss M. Aynsley, Miss R. Farebrother, Miss S. Jack, Mrs J. Hudson, Miss G. Robottom, Mrs J. Barnett, Miss A. Emerton, Dr D. Irvine, Mr K. Pant and Mr W. Holroyd.

Forthcoming marriages

Mr D. R. W. Bryer and Miss M. L. Bowyer

The engagement is announced between David, son of Mr and Mrs Ronald Bryer, of Malvern Wells, and Margaret, daughter of the late Sir Eric Bowyer and of Lady Caine and stepdaughter of Sir Sydney Caine, of Grayshott.

Mr A. E. Cooke and Miss J. L. Kerr-Jarrett

The engagement is announced between Anthony Edleston, only son of Mr and Mrs Bernard Cooke, of Mount Plenty, St Ann, Jamaica, and Judith Lynne, only daughter of Mr and Mrs Peter Kerr-Jarrett, of Tamarind, Montego Bay, Jamaica.

Mr P. N. R. Cooke and Miss K. L. H. Wrightson

The engagement is announced between Paul, youngest son of the late Rear-Admiral Gervaise Cooke, CB, DSC, and Mrs Cooke, of Downstead House, Morestead, Winchester, Hampshire, and Louise, daughter of Mr and Mrs Thomas Wrightson, of Ulshaw Grange, Middleham, Leyburn, North Yorkshire.

Mr A. M. Cousins and Miss A. S. Cole

The engagement is announced between Alan Michael, only son of Mr and Mrs Brian Cousins, of Bath, Avon, and Alison Sylvia, only daughter of Mr and Mrs Philip Cole, of Brentwood, Essex.

Mr C. Daniel and Miss D. Fowler

The engagement is announced between Charles, son of Mrs M. F. Daniel and the late Mr F. S. Daniel, of Cannes, and Deborah, daughter of Mr and Mrs D. V. Fowler, of Sanderstead, Surrey.

Mr P. D. Tuckett and Miss A. M. Darwall

The engagement is announced between Philip, elder son of the late Mr P. D. Tuckett and Mrs P. D. Tuckett, of Ludbrook, Buckland Monochorum, Devon, and Antonia, daughter of Major and Mrs M. G. R. Darwall, of East Crowndale, Tavistock, Devon.

Naval promotions

The provisional selections from naval officers of the Supplementary List for promotion to commander from September 1 are confirmed. The following have been promoted to lieutenant-commander from September 1:

Seaman: K. N. Patrick, R. H. S. Everall, F. J. D. Farmer, W. A. Craig, B. C. Winwood, S. J. Gobey, K. Edmunds, R. A. F. Jewell, G. Churton, E. A. Winchcombe, R. J. Bronwin, C. Sams, G. R. A. Coryton, R. G. Burrows.

Engineering: K. French, D. K. Leitch

Underhill Preparatory School

The Governors of Underhill Preparatory School, in Chart Sutton, near Maidstone, Kent, have appointed Mr Ian Stainton-James, director of studies, Brighton College Junior School, to be headmaster from January 1, 1981.

Reception

HM Government

Sir Keith Joseph, Secretary of State for Industry, was host at a reception at Lancaster House last night on the occasion of Farnborough International '80.

Andres Segovia, aged 86, the guitarist, with his wife and son arriving in Venice to receive an award for his music.

Today's engagements

Princess Anne opens British Equine Veterinary Association congress, Imperial College, 9.

Exhibitions: Miniature textiles, British Crafts Centre, 43 Earlham Street, Covent Garden, 10 to 5.30; daguerreotypes from Brokelberg collection, Still Gallery, 50 High Street, Edinburgh, 10 to 6; photographs of Sierra Leone by Ben Oelmann, Centre 181, King Street, Hammersmith, 10.30 to 5.30; Paintings and drawings of south of France by Anthony Yates, Illustrators' Gallery, 16a D'Arblay Street, Soho, 10 to 6.

Lectures: Babylonian demons, by Ulla Jeyes, 11.30; The Minoans, by Lesley Fitton, 1.15, British Museum; Piero di Cosimo, by Paul Spencer-Longhurst, National Gallery, 1; Social insects, Natural History Museum, 3; Medieval ivory carvings, Victoria and Albert Museum, 1.15.

Lunchtime music: Margaret Phillips, organ recital, St Lawrence Jewry, 1; Bach organ recital, Harold Dexter, St Botolph, Aldgate, 1.05; City Music Society Ensemble, Bishopsgate Hall, 230 Bishopsgate, 1.05.

Latest wills

Mrs Justina Manning Farrow, of Ipswich, left estate valued at £26,887 net. After bequests totalling £625 and some effects she left the residue for the reduction of the national debt.

Other estates include (net, before tax paid; tax not disclosed):

Andrews, Mr Edgar Flaxon, of Hockley, Essex £271,636
Bengough, Mr Nigel James, of Leominster £184,485
Bentham, Mrs Vera Theresa Maud, of Ticknall, Derbyshire .. £148,363
Bond, Mr Denis Nigel Hambro, of Guildford £148,455
Cawley, Mr George, of Chertsey £235,272

Varied TV advertising proposed

By a Staff Reporter

New ways of presenting television commercials on the fourth channel were suggested last night by Mr Leon Brittan, Minister of State at the Home Office responsible for broadcasting.

He told guests at a dinner in London marking 25 years of television advertising in Britain that much variation was possible under the present law.

"There is no statutory bar, for example, to longer advertisements or even to more of them. I know that the last use of block advertising was not universally popular, but the appropriate lessons can surely be learnt now from that experience."

Mr Brittan said he saw no reason why there should not be different arrangements for advertising times. One suggestion was that both the programmes and the break should be longer, or at least more flexible in length.

Although he felt the case in favour of sponsorship of programmes had yet to be made, Mr Brittan said he saw no objection to the televising of sponsored events or to the sponsoring of material linked to a programme or series, particularly in the educational field.

Both those types of sponsorship were perfectly acceptable developments and were likely to progress farther; but there could be no suggestion of the sponsor being in a position to influence the television programme itself, Mr Brittan said.

Science report

Marine biology: Tiny mimics

By the Staff of *Nature*

A biologist at California University has discovered that mimicry can be exploited to lure prey for capture even among the smallest animals in the sea. Dr J. E. Purcell reports that the special stinging apparatus of certain jellyfish-like animals resembles a minute crustacean or very young fish. When another animal approaches, attracted by what appears to be suitable food, the apparatus is triggered and the animal is captured.

Scuba diving off California and Massachusetts, Dr Purcell collected various species of siphonophores, floating or swimming colonies of individuals, related to jelly fish but not exactly the same. In Britain the best known siphonophore is the Portuguese man-of-war, which was not one of those collected by Dr Purcell.

The individual members of a siphonophore colony differ in their structure and function, some serving to protect the colony, others specialized for reproduction and others capturing and digesting prey.

It was the latter, the gastrozooids or "stomachs", that Dr Purcell looked at in her investigation of the feeding habits of the siphonophores.

Examining the stomachs of colonies that swim strongly, she found chiefly the minute crustaceans known as copepods. They are the most abundant of the tiny creatures making up the plankton, which floats and drifts in the sea, providing food for fish. The stomachs of weakly swimming or inactive siphonophore colonies contained slightly larger creatures belonging to species which are less common in the sea than copepods.

Dr Purcell suspects that the swifter swimmers make do with the smaller prey because their activity brings them into contact with areas where the copepods are especially abundant. The sluggish siphonophores, on the other hand, are less likely to alarm the prey when it approaches, and so they obtain sufficient food without moving far. It was in two such species of siphonophore that she found what she believes to be lures.

The stomachs have tentacles on which are arranged batteries of the stinging apparatus coiled up in readiness for attack, when they shoot out and sting the prey. In the two species in question the shape and colouring of the coiled apparatus resembles, respectively, a copepod and a very young fish at the larval stage. They appear to be dashing about in the sea as the tentacles stretch and contract rhythmically.

Dr Purcell thinks that various animals are attracted by either visual or vibrational stimuli to the apparent food, and themselves fall prey to the sting of the disguised tentacles. Indeed the animals she found in the stomachs were just those that would be expected to eat the prey the tentacles are mimicking. Hers is the first report of that sort of aggressive mimicry among the plankton.

Source: *Science*, August 29 (vol 209, p1045) 1980.

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Rare season of old Chinese films to be screened

By Kenneth Gosling

The British Film Institute is to present next month a season of films made in China since 1935. Many have not been seen outside China.

It is a collection that has taken Mr Scott Meek, feature acquisitions officer of the National Film Archive, three years of patient negotiation to prepare.

The Chinese are among the world's greatest filmgoers with 21,600 million cinema attendances a year, an average of 24 for every person.

The season, entitled "Electric Shadows, 45 Years of Chinese Cinema" is to start at the National Film Theatre on October 2. Its opening will be attended by Mr Douglas Hurd, Minister of State at the Foreign and Commonwealth Office, and by the Chinese Ambassador.

Mr Meek's persistence paid off last year when he and a colleague visited Peking at the invitation of the China Film Corporation and spent three weeks viewing and choosing films for the season.

"We selected 30 features and 20 extracts from other films" he said. "The whole thing became possible only after the downfall of the Gang of Four. Most people's notions of the Chinese cinema come from the years after the revolution when bright, militant, poster-style pictures were made. But the films of the thirties, forties and fifties, melodramas and comedies, were very much influenced by Hollywood."

Half the films will be subtitled and others will be provided with simultaneous translations through headphones at the NFT. Four will be shown on BBC2 during the season from October 2 to November 2.

TV series by BBC dramatizes recent history

By a Staff Reporter

The controversial formula of dramatized television documentaries of recent history is to be used again in the autumn by the BBC.

Mr Brian Wenham, controller of BBC 2, confirmed that yesterday at the launching of a series called *Escape!*, which begins next week with a reconstruction of the Lord Lucan affair.

Although the series will use actors, another series next year, dealing with the work of Amnesty International, will feature the actual people whose cases have been dealt with by Amnesty. One is expected to be from South America and another from the Soviet bloc.

After the Lucan programme, *Escape!* will tell of the Lufthansa hijack to Mogadishu in 1977, the escape of Kim Philby, describing his last days in Beirut and how he fled; the story of Alfred Hinds, Jeremy Cartland's battle with the French authorities in 1973 over his father's murder, and, finally the escape of Donald Woods from South Africa.

Arts association faces losses

After the failure of a travelling exhibition called "What we have" the East Midlands Arts Association is trying to raise £100,000 to cover its losses, a report to Derbyshire County Council states.

Mr Neil Ashcroft, the council's chief executive, said: "The future of the touring dance and drama companies is threatened and a staffing review of the organization as a whole is to be undertaken."

25 years ago

From The Times of Friday, Sept 2, 1955

Defeating Mau Mau

Reductions of the Kenya garrison is the first practical acknowledgment by the authorities of a marked improvement there. When the trouble broke out nearly three years ago those who had studied native risings and secret societies were inclined to give it four years. Since it is likely to take at least another year to root out splinter gangs, their forecasts may prove near enough right. There were two turning points in the struggle. The first was the clearing of Nairobi by Operation Anvil in spring, 1954. The second, a more gradual process, was the concentration of the Kikuyu into villages.

University news

Liverpool

Dr John Hassley, lecturer in the department of industrial studies, has been appointed to the department's chair.

Dr Robert Nobay, senior lecturer in economics at Southampton University, has been appointed to the Brunner chair of economic science.

Leeds

Gerry Phillips, senior lecturer in quantitative social science at Kent University, has been appointed professor of econometrics, in succession to Professor Conrad Leser.

Open

T. P. Lyons, personnel director of Williams an Glyn's Bank, has been appointed to the university's council.

OBITUARY

MISS JENNIFER NICKS

Former world pair-skating champion

The death is reported, from her home in Canada, of the former World, European, and British pair-skating champion Jennifer Nicks (Mrs Sturrock), at the early age of 48. She had a sudden heart attack on August 21.

Jennifer Mary Nicks was born on April 13, 1932, the daughter of two Sussex athletes, Jack and Elsie Nicks; she was also the great-great-niece of the pioneer cricketer John Wisden. With such a heritage, it was not surprising that she and her brother John, just three years older, should have a career in sport. The opening of the Brighton ice rink near their home turned their thoughts to skating. Taught first by Eric Hudson and then, for more than 10 years, by that trainer of champions Miss Gladys Hogg, MBE, of Queen's Ice Club, London, they showed promise as individual figure-skaters. John was British junior men's champion in 1947 and Jenny was third in the women's event. It was as a pair, however, that they achieved their greatest success. They won the British championship six times in succession between 1947 and 1952. They competed in the 1948 and 1952 Winter Olympic Games, and were runners-up for the world championship in 1950. Their best year was 1953. At Dortmund they became champions of Europe, and two weeks later took the world title at Davos—the only British pair to win since 1912.

They then turned professional. Jenny won the British Open professional women's figure-skating championship in 1955 and 1956, and later she and her brother appeared in a show in South Africa. She suffered a mild heart attack there, and gave up show skating. In 1959, in Southern Rhodesia, she married a Scottish engineer, Stanley Hunter Sturrock. His work took him to Canada, and they settled in Delta, British Columbia. Their two children were Canadian-born; one of them, Samantha, is herself an ice-show skater.

Jenny Nicks became a teacher of skating, and in 1979 she came to Britain for the centenary gala of the National Skating Association at Wembley; in company with other British world champion skaters, she was presented with a special commemorative medal by the Queen, who is the Patron of the NSA.

Jenny was universally popular in the fiercely competitive world of skating. She and her brother were renowned for their good sportsmanship even when they received less than justice from the judges, and she was never known to make an unkind remark about anyone. She was a generous-hearted competitor, a conscientious teacher, and a good friend.

MR E. R. CAMPBELL

Mr Evan Roy Campbell, CBE, who was High Commissioner in London for Southern Rhodesia from 1964 to 1965 and Chairman in Rhodesia of the Standard Bank for 14 years from 1965, died in Salisbury on August 20. He was 72.

Born in Johannesburg, South Africa, on September 2, 1908, Campbell was educated at St Andrew's College, Grahamstown, and the Potchefstroom Agricultural College, before moving to Rhodesia. There he became a leading tobacco farmer and businessman before entering politics.

Campbell stood unsuccessfully for Sir Roy Welensky's United Federal Party as a candidate for the Federal Assembly in 1957. His opponent was Mr Winston Field (Dominion Party), later to become Prime Minister of Southern Rhodesia.

A big, bluff man, fond of proclaiming he was a tobacco farmer and not a diplomat, Campbell nevertheless had a shrewd mind. His appointment to represent Southern Rhodesia in London followed the dissolution of the Federation of Rhodesia and Nyasaland, and he soon found himself engulfed in the acrimony between London and Salisbury which ended in Rhodesia's UDI in November 1965.

Campbell firmly opposed UDI but in May, 1965, shortly before leaving London to return to Rhodesia, he bluntly warned Britain that Rhodesia might make a unilateral declaration before the end of the year if Britain withheld independence. After his return to his country he became chairman of a number of boards, and held several directorships.

In the Second World War he enlisted in the Rhodesia Regiment, and was then seconded to the King's African Rifles, serving in Abyssinia, Burma and India. After the war he became President of the Rhodesia Tobacco Association for six years, and was prominent also for a time on the Tobacco Marketing Board and the Tobacco Export Promotion Council.

Campbell was created CBE in 1958, and held the British Empire Service League meritorious service medal.

MR R. McCAUSLAND-WHITE

Mr Norman Blamey R.A. writes:

Ronald McCausland-White, who has died, called himself "A Dealer in Works of Art" and for many years he ran a gallery in Lavenham, Suffolk, in which he mounted exhibitions of drawing, painting and sculpture and from which, too, he sold antique furniture.

His work in this field was of great value both to the artists concerned and to his clients. Amongst the former were some established names, but he also gave kindly opportunity, where he felt it was deserved, to others anxious to find an outlet for their work. Many an artist has been encouraged by the sale of his work which Ronald McCausland-White had made possible, and many a client has a treasured possession which, without him, he might not otherwise have acquired.

He and his gallery were fully integrated into the whole Lavenham milieu and he was held in great esteem there. Apart from his unquestionable integrity perhaps the most notable fact about him was his great generosity. He was a loving and caring husband and a considerate employer. While any of his neighbours in Lavenham remain "The Little House", where he lived, and the Phoenix Gallery, where he worked, must surely be something of a shrine to his memory.

MR R. G. SOOTHILL

Lord Donaldson writes:

Your obituary (August 21) makes clear that R. G. Soothill served his country in many distinguished ways, but leaves out one of the least glamorous but not least important, his acting as hon. treasurer to the National Association for the Care and Resettlement of Offenders during eight difficult years. His hard-headed advice was invaluable to us, and as NACRO's president I want to acknowledge our great debt to him.

Air Vice-Marshal Albert Frederick Cook, CBE, who died on August 27, a day after his 79th birthday, was Principal Medical Officer, Bomber Command, 1955-56 and Principal Medical Officer, Middle East Air Force, 1957-59. He was appointed honorary physician to the Queen in 1956.

Mr Hugh St Denys Nettleton King-Farlow, MBE, a former Master of the Worshipful Company of Needlemakers, and for many years in the service of Royal Dutch Shell, died on August 27

Law Report September 1 1980 — Court of Appeal

A video cassette can be an obscene article

Re Attorney-General's Reference (No. 5 of 1980)

Before Lord Justice Lawton, Mr Justice Chapman and Mr Justice Boreham

A video cassette is an "article" within the definition set out in section 1(2) of the Obscene Publications Act, 1959. Their Lordships so held on a reference by the Attorney-General under section 36 of the Criminal Justice Act 1972, on the issue whether a person providing an obscene display of images on a screen to persons likely to be depraved by it, had published an obscene article where the images were derived from video tape.

The Act of 1959 provides by section 1 that: "(2) In this Act 'article' means any description of article containing or embodying matter to be read or looked at or both, any sound record, and any film or other record of a picture or pictures. (3) For the purposes of this Act a person publishes an article who . . . (b) in the case of an article containing or embodying matter to be looked at or a record, shows, plays, or projects it."

Section 2 provides that: "(1) . . . any person who, whether for gain or not, publishes an obscene article shall be liable [to a penalty]."

Mr D. W. Tudor Price for the Attorney-General; Mr Stuart Shields, QC, and Mr Geoffrey Robertson for the defendants.

LORD JUSTICE LAWTON said that the Court of Appeal had been asked to give its opinion on the following question: Did a person who provided an obscene display of images on a screen to persons who were likely to be corrupted by that display publish an obscene article contrary to section 2 of the Obscene Publications Act, 1959, in a case where the images were derived from video tape?

Police officers in possession of a search warrant had visited basement premises in London. The premises had been set out as two small cinemas to which persons were admitted on payment of money. Obscene displays with sound, indistinguishable to the watcher from conventional film shows, were being shown to the audiences. Three persons admitted responsibility for the activities and admissions of responsibility for the shows were made on behalf of the company which received the profits.

The displays were not conventional film shows, but were derived from video cassettes, containing video tape. When a video tape was played, electric signals from it were fed by way of cable to a conventional television receiver containing a cathode ray display tube. That provided the means by which the images were displayed on the screen. The electric signals were fired down the display tube to produce the images. The system used did not involve the projection of light onto the screen. The light was emitted from the cathode-ray display tube.

The indictment charged three persons and a company with publishing an obscene article, namely, a video cassette, contrary to section 2 of the Obscene Publications Act, 1959, at a date prior to the coming into force of the provisions of the Criminal Law Act, 1977.

At the end of the prosecution case, the judge directed the jury to return a verdict of not guilty against all the defendants on the ground that a video cassette was not an obscene "article" as defined by section 1(2) so that there was no publication of an obscene article. Among the different submissions made for the defendants before the judge, it was argued that a video cassette was not an "article" as defined by section 1(2) of the Act; and that the words "any film or other record of a picture or pictures" should be construed *eiusdem generis* and a video tape was not of the same genus as a film.

The sole issue before the court was whether a video cassette was an "article" within the definition of an obscene article in section 1(2) of the Act. That definition was not affected by subsequent legislation amending the Act of 1959. It was submitted for the prosecution that the subsection, by its wide terms, was intended to embrace any article which could be used to show an obscene image and that the only kinds of article outside the definition were the two set out in the proviso to the section. For the defendants it was argued that at the time when the Act was passed, video tapes had not passed their experimental stage and that Parliament could not have had them in mind. But Parliament would have had in mind that—such electronic equipment—was likely to come about.

It was the duty of the court to consider the words of the Act and construe the relevant subsection as understood in 1959. After further considering the submissions of counsel, His Lordship said that the judge should have looked at the subsection as a whole and should not have applied the *eiusdem generis* rule.

His Lordship then concluded that the words of subsection (2) and (3) of section 1 were sufficiently wide to embrace a video cassette so that a video cassette was an "article" within the meaning of the definition section.

Leave to appeal to the House of Lords was refused.

Solicitors: Attorney-General; Cowan, Lipson & Rumney.

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THE TIMES
BUSINESS NEWS

LAING
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The Bank's reputation in the balance, page 17

■ **Stock Markets**
FT Ind 480.7 down 3.2
FT Gilts 68.09 up 0.47

■ **Sterling**
$2.4060 up 95 pts
Index 76.5 up 0.3

■ **Dollar**
Index 83.8 down 0.3
DM 1.7880

■ **Gold**
$627.50 down $5

■ **Money**
3 mnth sterling 16⅛-16¼
3 mnth Euro-$ 11⅞-12¼
6 mnth Euro-$ 12⅛-12¼

Sterling moves above $2.40 for first time in five years

By David Blake
Economics Editor

The pound went above $2.40 in London yesterday for the first time since the spring of 1975. The effective exchange rate climbed to 76.5 per cent of the pound's 1971 level, the highest figure recorded since the new index was introduced in 1977.

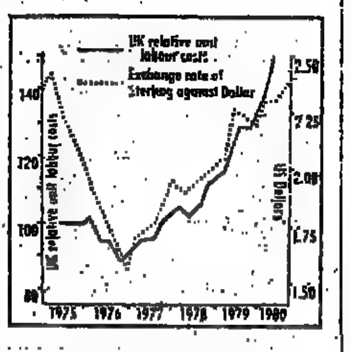
Sterling's rise came in thin trading in London. It had gone above $2.40 in New York in late trading just before the weekend. At one stage in London it rose above $2.41 before falling in light trading to close at $2.4060, up 95 points on the day. The volume of dealing was reduced because American markets were closed for Labour Day.

The $2.40 barrier has long been seen as having great psychological importance in foreign exchange markets. This is the figure to which sterling was devalued by the Wilson Government in 1967. Although the effective exchange rate is a better indicator of the overall position to the pound, dealers still pay great attention to the rate against the dollar.

Sterling's rise since the early part of 1979 has been one of the most remarkable features of the foreign exchange markets. In January and February of 1979 it hovered at about $2.00, rising to $2.24 at the beginning of this year. The increase in oil prices over the past 18 months has strengthend the pound in two ways.

Because Britain is a producer of oil the balance of payments here does not suffer as oil prices rise in the way that those of most other industrial countries do. At the same time the huge Opec surpluses leave funds available for investment in London.

Opec money has been attracted to London by the high interest rates, which are well above those in other main financial centres. This has attracted a growing volume of hot money into London, much of which is kept on deposit at banks.



The rise in the pound's parity has produced increasing problems for British industry, which has found it harder to sell abroad at a profit. As the chart shows, relative labour costs have risen sharply as the pound has gone up.

This is because wage rises in Britain have continued to go up at a faster pace than in the rest of the world.

The usual result of this would be a devaluation of sterling to recoup the lost competitiveness. There are clear signs of concern among industrialists about the prospect that sterling will continue to be overvalued on competitiveness.

Some leading figures in industry would like government action to reduce the pound. But economic ministers have stressed that the high parity is easing inflation.

Official policy remains that intervention is restricted to smoothing very short term fluctuations in the exchange rate.

There were some signs of intervention by the Bank of England late last week to hold the rate down but no signs of this are expected to be seen in the figures for the reserves due out today.

IN BRIEF

EC places dumping duty on US yarns

The European Community has imposed a provisional anti-dumping duty on imports of United States polyester yarn, claiming American producers have been undercutting European prices by as much as 20 per cent.

"This has made it impossible for Community producers to raise selling prices in order to offset sharply increased raw material costs and has pushed them further into the red," says an EEC Commission statement announcing the measure.

It said the duty will be in force for at least four months, "until the adoption of definitive measures", by the EEC Council of Ministers.

Dealing room opens

Sir David Barran (above), chairman of the Midland Bank, opened Midland Bank International's new dealing room in London yesterday. It is believed to be the largest and most modern dealing room, with space for 68 dealers.

FAS 8 to come into line with UK

The United States is to bring its accounting standard on foreign currency translation, the strongly criticized FAS 8, into line with United Kingdom practice. Switching from the temporal to the closing rate method means that local currency results of overseas subsidiaries are translated at the exchange rate for the whole year in the profit and loss account, so that currency fluctuations on overseas subsidiaries can be shown as movements in reserves rather than on profit and loss.

NEB appointment

Mr Denis Allport, chairman and chief executive of Metal Box, has been appointed as a part-time member of the National Enterprise Board for three years at an annual salary of £545.

Pergamon report

The Office of Fair Trading expects to release its report on the de facto merger of BPC and Pergamon Press, brought about by Pergamon's dawn raid on BPC, by the third week of September.

Pipeline partnership

Transcanada Pipelines is joining as a full partner the consortium building and operating the Alaska segment of the 4,800-mile Alaska Highway natural gas pipeline.

Wall Street closed

The American stock exchanges and commodities markets were closed yesterday for the Labour Day holiday.

Grand Met in £87m share offer for Coral

By Our Financial Staff

Grand Metropolitan, the £814m conglomerate whose interests range from Express Dairy in milk through to Mecca, Watney and Truman in beers and Liggett the American cigarette and drinks group, has emerged as the bidder for troubled Coral Leisure, the £5m bookmaking company which owns Pontins holiday camps and whose casino licences are being challenged by the police.

The offer, entirely in shares, is of 13 shares in Grand Metropolitan for every 20 in Coral Leisure. This valued the betting shop group at £87m or nearly 103p a share.

Coral's shares have swung between 134p and 57p since the beginning of last year, but this year they have never been higher than 80p.

Full acceptances of the offer will mean the issue of 54.84 million shares in Grand Met which has already 469 million in issue. S. G. Warburg advised Grand Metropolitan and Charterhouse Japhet were retained by Coral.

Mr Nicholas Coral, the chairman, said last night that Grand Met approached the company with the bid last week. He confirmed there had been several other interested bidders, and added that he had always known—for at least seven years—that Grand Met was interested in taking over Coral.

On the rumoured deal for the sale of Coral's hotel division he said this would now be up to Grand Met and any interested buyer would have to approach Mr Maxwell Joseph, its chairman.

Apart from that division he did not think any of the rest of Coral's interests would be sold off separately. Most of the activities "fit in" with Grand Met's operations and he described Mr Joseph as "delighted" to have Pontins, the holiday company.

On the future of the Coral board he said all their positions would be safeguarded within the new company. But he has made no arrangement for his own future.

Mr Coral commented that he had every confidence in Mr Joseph, but he did not want to do "an invented job" so he would wait to see what decision was made.

He said he was obviously sad that Coral would cease to be an independent company and he had not considered a takeover in itself as being desirable.

But the Grand Met deal was a good one, both for the shareholders and for the future of the company. He said there had been no boardroom dissent about accepting the offer.

Grand Met has a reputation as an astute buyer of companies. Back in 1972 it was involved in what was at the time the largest United Kingdom takeover when it acquired Watney's for £470m. In April this year it was involved in an acrimonious bid for Liggett, which it finally acquired for $415m (£250m).

Its activities span a wide range of interests in the United Kingdom from hotels through milk and food to brewing.

Sales in the last financial year to end September, 1979 rose to more than £2,000m, of which betting and gaming amounted to £242m; hotels, entertainment, catering and public houses division accounted for almost a third of trading profits.

The group has 24 hotels in London, mainly in the three-star bracket, and its 29 provincial hotels cater largely for the middle market; there are also five hotels in Paris and Amsterdam.

In catering its best known names are Chef & Brewer and the eBrni and Schooner Inn steak houses.

News of the bid is not entirely surprising. The shares jumped 6p to 67p before they were suspended at Coral's request yesterday morning. They were subject to widespread comment in the weekend press and saw some sizable buying early last month when the group reported a collapse in pretax profits from £5.85m to £327,000 in the half year to June 30.

It was then expected that profits for this year would not reach more than £15m against £23.6m in 1979, with half coming from the gaming clubs. The group blamed high interest rates and the impact of unemployment on many of its customers.

Only the betting shops did well, but even here the comparison was favoured meetings many race cancellations thanks to bad weather which hit the 1979 figures.

Pontins, the holiday camp group bought for £56m in 1975, suffered from short-time working; the strong pound hit the hotels.

Coral Leisure made the mistake of diversifying unsuccessfully. It made its name with the slogan: "Never a quarrel bet with Coral." Then it spread its wings and in the latest half-year (to June last) profits all but vanished.

At the net level, Coral went into losses. Contributing to these was Centre Hotels which Coral bought in 1977 for nearly £17m.

Until yesterday morning it seemed as if Coral would try to solve its problems by selling Centre Hotels either to our largest brewer, Bass Charrington, or an Indian group, Taj Hotels. It is thought that Taj was asked for around £27m for a two thirds stake in Centre Hotels.

But it was not to be. Coral got close to clinching a near £30m deal which would have cut the group's borrowings. Last night Mr Nicholas Coral said: "We were very close to finalising this hotels deal."

Coral shareholders will be delighted with the Grand Met bid. Apart from the recent collapse in interim profits it faced the cancellation of licences for its London casinos: the Palm Beach, the Curzon House and the International Sporting Club. They will also be entitled to a 3.5p net interim dividend.

Reader's Digest to pay £2.2m for map-maker

By Catherine Gunn

John Bartholomew and Son (Holdings) Edinburgh's 154-year-old map-maker, is to be sold for £2.2m cash. The buyer is the Reader's Digest Association, the London arm of the American publishing company.

Batholomew's directors have accepted the offer for their near-20 per cent stake and are recommending it to other shareholders. The offer closes on September 24.

The two companies have worked together on atlas projects for nearly 20 years. Bartholomew produced the maps for the Reader's Digest *Great World Atlas*.

Bartholomew's own publications include *The Times Atlas* and *The Road Atlas of Britain*, but the company is best known for its series of area maps.

The three family board members, John, Peter and Robert Bartholomew, all reach retiring age within the next 10 years or so, and the board is anxious to secure the companies long-term future. None of the next generation of the Bartholomew family is a member o fthe company.

For Bartholomew, the main attraction of a link-up with the Reader's Digest is its worldwide interests and the opportunity to expand, particularly in the present difficult climate swamping many United Kingdom publishers.

Bartholomew's latest annual profits dipped from over £350,000 to around £90,000 on sales approaching £3m. Bartholomew brings with it, T. and T. Clark of Edinburgh, an even older company which publishes specialist theology books. Its publications are largely exported. Together, the two companies' annual sales total £3.25m.

Scandinavian companies plan power stations in North Sea

Four Scandinavian companies have submitted their proposals to the Norwegian and Swedish Governments for floating power stations to generate electricity in the North Sea.

The plan is the culmination of work conducted by the Aker Group and Standard Telefonog Kabelfabrik (an ITT company) in Norway and Karlskrona-Varven and Staal-Laval in Sweden. It combines the expertise of platform construction (Aker) with ITT's cable technology and the turbine/power generation experience of the two Swedish partners.

Each platform will require what ITT has called "substantial investment", but the attractions of using gas that would normally provide no other economic method of harnessing are many.

In fact the Swedish and the Norwegians Governments have both been involved in providing financial assistance for the project's research.

At the moment excess gas released during drilling for oil is either flared, wastefully burnt, or used to generate electricity for the oil rigs within the vicinity of the well.

However, this new consortium intends to provide a facility where gas can be used to generate electricity which will be transmitted by cable to the mainland when piping such gas ashore may be uneconomic.

The cable technology, pioneered by ITT and the experience gained by laying the Skagerrak cable between Norway and Denmark linking the electricity generating networks of both countries is the basis of the technical advance.

The companies are convinced offshore power stations using untapped gas resources will be able to generate between 300 and 12,000 megawatts and the power transmitted with little loss within a range of 600Km.

At the beginning of their study two years ago the companies identified 39 such sites in the North Sea, which could be used to provide electricity with their technology.

Although part of the finance for research came from Norway, the country's dependence on hydro-electric power has minimized its interest in alternative generating possibilities so far.

Environmental considerations have changed that view. Neighbouring Denmark, Germany and Holland have expressed their interest in the project.

Talks begin on Consett takeover bid

By Edward Townsend

Consultants representing a group of northern industrialists began exploratory talks yesterday with the Department of Industry over the possible takeover of the British Steel Corporation's threatened works at Consett, co Durham.

The talks lasted just over an hour and the two consultants requested that the names of members of the consortium should remain secret.

The department emphasized that the discussions were "exploratory". Officials would be reporting to Sir Keith Joseph, Secretary of State for Industry, and the consultants would be conveying the department's views to the consortium.

The request for a meeting at the department instead of with British Steel puzzled Whitehall officials. The spokesman said the department would be available to continue talks at any time "but we will not be negotiating—it will be up to the BSC to do that".

British Steel spokesmen at the London headquarters and on Teesside said they had no knowledge of a proposed offer by a consortium.

Mr William Sirs, general secretary of the Iron and Steel Trades Confederation, said at the weekend that the consortium, believed to be a group of private sector banking and industrial interests, was about to make a bid for the steelworks. He called for a postponement of the closure of the works to allow the group time to conclude negotiations.

Last Friday, Mr Ian MacGregor, the chairman of British Steel, said that the Consett operation could close this weekend, three weeks ahead of schedule, because of a continuing lack of steel orders. Closure will put out of work 3,700 employees.

Joint policy on new technology formulated

By David Felton,
Labour Reporter

Leaders of the Confederation of British Industry and the TUC have formulated a joint policy on new technology which lays down guidelines on the introduction of working methods.

Both sides hope that discussions on new technology, which have taken place between senior officials of the two organizations over the past few months, have laid the groundwork for future consultations on wider issues.

The joint statement, published at the annual Trades Union Congress in Brighton, is a modified version of the original draft drawn up two months ago. Although it is cautious in approach, it has been agreed only after compromises by both sides.

The statement is being presented to the congress this week and will also be sent out for approval by CBI members and it is by no means certain that employers will be prepared to accept the guidelines in their entirety.

TUC negotiators in the talks have accepted what appears to be a watering-down of the section dealing with redundancies which now says that "forced redundancies should be avoided wherever possible". Previously the unions had taken the line that there should be no redundancies attached to the introduction of new technology.

Equally the CBI has accepted the TUC standpoint that "changes are more easily carried out in times of rapid economic growth and low inflation".

There appears also to have been a union compromise on the method of consultation in companies where new technology is being introduced. The statement says that employees as well as recognized trade unions should be consulted.

The CBI and TUC say that it is impossible and undesirable to draw up a single model for implementing new technology agreements.

But because of the country's "need for rapid technological change" the statement aims to set out "key elements of practice most conducive to the successful pursuit of major technological adaptation".

In addition to stressing the need for continuing consultation between management and the workforce, the statement says that new technology can improve the terms and conditions of workers.

Changes in working patterns may be necessary and attention should be paid to health and safety implications of new machinery.

There should also be adequate procedures for dealing rapidly with grievances and disputes and the two sides suggest setting up joint union/management study teams to monitor the implementation of new technology.

Mexican oil and gas reserves rise 20 per cent

From Our Correspondent
Mexico City, Sept 1

President Jose Lopez Portillo yesterday announced that Mexico's confirmed hydrocarbon reserves were 60,126 million the figure of 50,022 million barrels, 20 per cent more than barrels government officials had quoted in March.

Señor Lopez Portillo, in his fourth state of the nation address, also said that potential reserves were 250,000 million barrels, 50,000 million barrels more than five months ago.

He said that probable reserves were 38,043 million barrels, compared with the 40,432 million of March. The figures are for crude oil and liquid gas which Mexico usually considers together. Two thirds, however, are crude.

At the end of July, Petroleos Mexicanos, the state oil company, said hydrocarbon production was 2,304,000 barrels a day of which 2,102,800 barrels were oil.

Señor Lopez Portillo said Mexico now occupied sixth place in the world list of confirmed reserves, compared with the eighteenth place it held in late 1976. In production it held fifth place, compared with the fifteenth place it filled in 1976.

Courtaulds to close another textiles mill

By Derek Harris
Commercial Editor

Redundancies mounted yesterday in the textile industry and retailing, with the loss of nearly 300 jobs, but other moves brought the prospect of more than 700 jobs being saved in a variety of industries including clothing, other textiles and footwear.

Harwood Cash spinning mill, at Mansfield in Nottinghamshire, is to be closed by Courtaulds after its decision last week to shut down seven Lancashire and Cheshire spinning mills. Because Mansfield is part of the division the 180 redundancies brings the number of jobs lost to more than 1,300.

Courtaulds has closed the mills because of mounting losses that threatened to reach £2m by the end of the present financial year.

The company, which has declared nearly 8,000 redundancies since March, blames cheap imports, the strength of the pound and high interest rates.

W. H. Smith's wholesale books division is axing 51 jobs in a reorganization aimed at turning round trading losses which last year amounted to some £3m for its combined United Kingdom and United States wholesalers. The redundancies are in addition to 52 jobs already lost.

Nearly 300 clothing factory jobs under threat at Hepworths may be saved if discussions are successful with a so-far unnamed bidder.

Hepworths was planning to close down a trouser making factory at Hetton, County Durham, a jackets manufacturing unit at Woodlesford, near Leeds, and a trimmings factory at Colburn, near Richmond in north Yorkshire, because of the general decline in orders for made-to-measure garments.

The bidder is interested in taking over all three factories and it is hoped that a deal can be concluded before the scheduled closures next month. But Hepworths is going ahead with reductions of 300 at another suit factory at Sunderland.

To avoid 250 redundancies at its national chain of 280 shoe shops, Stylo Barratt Shoes, part of the Stylo Shoes group, in Leeds, is increasing its volume buying while slashing profits on 300 footwear lines.

Mr Alastair Jones of Peat Marwick Mitchell, the accountancy firm, as receiver and manager, yesterday sold his fourth Midlands company as a going concern within ten days, preserving 224 jobs.

Mr Brian Dollamore, a Midlands businessman, is buying Bonas Brothers, of Castle Gresley near Burton upon Trent, which specializes in narrow fabrics such as elastic. It is expected to save nearly all the workforce of 50.

But th ereceiver has had to close down the sister company of Bonas Garments, with the loss of some 60 jobs.

Mr Jones earlier had sold off the Birmingham Bacon Company, Redditch Squash and Leisure Centre and Malins Engineers, model steam engine makers.

Aerospace suppliers buoyant

By Kenneth Owen

Suppliers of materials and ancillary products are sharing in the relatively buoyant market in the aerospace industry. IMI Titanium yesterday announced a multi-million pound expansion programme involving plant and mills at Birmingham and in Wales.

A programme of new investment is planned to take place over the next five years which will more than double the capacity of the company's melting and forging plant at Witton, Birmingham and the rolling mills at Waunarlwydd near Swansea.

Lucas Aerospace, which claims to be the largest producer of aircraft components outside North America, is building new factories in Bradford and Liverpool. It has also acquired a factory in Burnley and opened an £8m electronics unit in Birmingham.

The Dowty Group of Cheltenham also has a £20m expansion programme under way, covering design and production facilities for products for the aerospace, defence and electronics industries. Products include very large landing gear for aircraft, advanced engine fuel control systems, and new-technology propellers.

In the first phase of this expansion, capacity will be increased by 60 per cent over the next two years at a cost of £7.5m.

A new titanium granule plant under construction at Shotton for Deeside Titanium should assure IMI Titanium, the largest producer in Europe, of the increased supplies of raw material needed as part of the planned expansion. IMI expects to become a shareholder in Deeside.

Politician's move follows policy to keep control of natural resources

Malaysian government backing for Dunlop bid

Kuala Lumpur, Sept 1.—Malaysian Government support for companies buying into long-established and mainly British-owned estates, tin mines and industrial houses here is the result of economic policy formulated after the race riots of 1969.

The latest reported move by Mr Abdul Ghafar Baba, a prominent Malaysian politician and businessman and his Komplek Kewangan trusts to take control of Dunlop Holdings is an extension of that policy.

Local stock market and business community sources confirm that Komplek Kewangan, of which Mr Ghafar Baba is chairman, is behind the attempt to take control of Dunlop but there has been no comment on this from either Mr Ghafar Baba or Komplek Kewangan, a finance group formed by leading members of the United Malay National Organization (UMNO), the dominant partner in the ruling National Front coalition.

His interest in Dunlop is being resisted by other mostly non-Malay business groups, but official sources said today that the government would not stand in the way of an official bid for Dunlop Holdings by the Komplek Kewangan group.

In fact one senior official suggested that the bid might be coordinated by Komplek Kewangan and the government's Permodalan Nasional (National Equity Corporation) whose chairman is the recently retired governor of Bank Negara Malaysia, the central bank.

The bid is similar to successful takeovers by government-backed bodies such as the Malaysian Mining Corporation of British mining companies whose leases have been running out.

The largest shareholding in Sime Darby, another former British conglomerate, is Pernas, another statutory body, which also masterminded Sime Darby's change of domicile from Britain to Malaysia.

Informed sources said that there would be more attempts to restructure large British and other foreign companies with extensive interests in Malaysia to reflect local ownership.

Mr Ghafar Baba's proposed bid for Dunlop follows this policy and could be advantageous to his political career. If he succeeds in his bid he will strengthen his position within both UMNO and the ruling national front coalition.

He is a former golf caddy who became a Malay school teacher and then rose swiftly through party ranks to become Chief Minister of Malacca State and finally a federal cabinet minister.

He has been vice-president of UMNO for nearly 10 years and resigned from the cabinet when he was not selected deputy prime minister after Datuk Hussein Onn moved up on the death of Tun Abdul Razak in 1976.

Still in his fifties, he is a consummate politician and is still considered by some to be a potential prime minister. He has close links with Tunku Razaleigh Hamzah, the finance minister, the Malaysian Mining Corporation and other government statutory bodies which aim to help Malays acquire a 30 per cent corporate stake in the economy of Malaysia in the two decades to 1990.

Increased efforts are likely to be made over the next 10 years to force the restructuring of British and other foreign companies and bring them home to Malaysia. "It is a politically motivated move", a cabinet minister said today, "which the government would not want to see fail."

Faced with this combined onslaught, other plantation groups have moved to restructure their equity to raise Bumiputra shareholdings (ie those held by Malays and other native races) to the required 30 per cent.

The predatory moves are mainly concentrated on those companies that have been slow to conform to the new economic policy and include Guthrie Corporation and the Harrisons and Crosfield Group.

City comment from London that government sponsored buying is simply a form of "backdoor" nationalization cuts little ice with Malaysian officials who see the buying into these companies as a logical extension of government policy of keeping control of natural resources, including rubber, palm oil, tin and petroleum.

It is in this light that Mr Khafar Baba and Komplek Kewangan has been attracting more than the usual amount of interest in London and elsewhere.

Financial Editor, page 17

PRICE CHANGES

...l Prod	2p to 18p	Massey-Ferg	15p to 350p
	15p to 475p	More O'Ferrall	10p to 93p
...on Hldgs	5p to 47p	Northgate Exp	15p to 395p
...Whamp	10½p to 115p	Rush & Tomkins	10p to 206p
	13p to 775p	Vosper	10p to 105p

	5p to 31p	Norton & Wright	5p to 63p
...D	12p to 103p	Rio Tinto Zinc	14p to 431p
...r	15p to 800p	Spencer Gears	2p to 15p
...es	25p to 775p	Tube Invest	14p to 232p
...s	15p to 138p	Weeks Pet	15p to 410p

THE POUND

	Bank buys	Bank sells		Bank buys	Bank sells
...lia $	2.12	2.05	Norway Kr	11.96	11.46
...a Sch	31.55	29.85	Portugal Esc	122.00	115.00
...m Fr	72.25	68.75	South Africa Rd	2.27	2.12
...a $	2.82	2.74	Spain Pta	177.75	170.25
...ark Kr	13.65	13.10	Sweden Kr	10.32	9.87
...d Mkk	9.10	8.70	Switzerland Fr	4.10	3.90
...Fr	10.25	9.80	USA $	2.46	2.39
...ny DM	4.44	4.23	Yugoslavia Dnr	74.00	70.00
...Dr	104.00	99.00			
...ong $	12.12	11.62			
...d Pt	1.17	1.13			
...Lir	2100.00	2005.00			
...Yn	547.00	522.00			
...lands Gld	4.84	4.62			

Rates for small denomination bank notes only, as supplied yesterday by Barclays Bank International Ltd. Different rates apply to travellers' cheques and other foreign currency business.

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Japanese growth expected to slide

The growth rate of Japanese exports and imports in the second half of this year will fall rapidly, reflecting the economic recession in the United States and slow domestic economic activity, the International Trade and Industry Ministry said in Tokyo.

The ministry said in a survey report that Japan's exports in the third quarter (July-September) were estimated at about 6.55 trillion yen (about £11,490m), up 28.3 per cent from a year earlier.

The rate of increase, however, was smaller than a 34.9 per cent year-on-year rise in the preceding quarter.

Imports in the third quarter are estimated at 8.06 trillion yen, up 35.7 per cent from a year earlier, compared with 7.57 trillion in the preceding quarter.

The report estimated fourth quarter imports at 7.83 trillion yen, up 16.9 per cent, and 8.66 trillion yen in the following quarter, up 10 per cent.

Merger plans dropped

Swiss Chemical Sandoz has given up plans to acquire the McCornick food company of the United States, but the two intend to study the scope for joint research and other programmes, a statement said in Basle.

Korean visit to UAE

Mr Yoo Yang-Soo, the South Korean energy minister will visit the United Arab Emirates next weekend for talks on developing relations between the two in the economic and energy sectors, the official Emirates news agency said.

Tyre factory closes

Singapore's only tyre-manufacturing company, Bridgestone Singapore, has closed because of the government's removal of protective tariffs for locally-manufactured tyres, a company spokesman said. Five hundred workers will lose their jobs.

Philippine debt

Philippine external debt from new medium and long term borrowing will need to grow about 20 per cent annually over the next three years from about $1,200m (about £506m) at present, Mr Gregorio Licaros, the central bank governor told reporters after the signing ceremoney for the bank's new eight year $100m Eurocredit.

Taiwan car project

The Taiwan government will examine investment proposals submitted by two Japanese car makers, Toyota and Nisan, before selecting one of them for a joint venture to produce 200,000 fuel-efficient compact cars annually in Taiwan. These were the only tenders submitted.

Dutch unemployment

The Netherlands' seasonally-corrected unemployment rate rose by 3,200 in August to a provisional 254,100 or nearly 6 per cent of the workforce, the ministry for social affairs at The Hague announced. The rise was slower than July's increase when the jobless total climbed by 11,700, but still brings the Dutch unemployment level to a post-war high.

Beirut bankers' plan

Beirut bankers plan to open a market in government securities as part of efforts to re-establish the Lebanese capital as a regional financial centre, banking sources said.

Swiss deficit forecast

A slight current account deficit for Switzerland this year is not excluded after surpluses of 4,070m francs in 1979 and 7,870m francs in 1978, the Federal Council said in Berne.

Crisis in Poland raises concern about East European economy

Comecon debts worry Bonn bankers

Bonn, Sept 1.—The crisis in Poland has increased concern among West German bankers about the poor economic performance and mounting debts of East European countries.

As the East Europeans' most important trading partner in the west, Bonn feels particularly exposed to their economic woes. Because of West Germany's heavy trade with European communist states and its geographical position the Bonn government remains committed to improving trade with European communist states despite the Russian intervention in Afghanistan.

West German trade with East European Comecon states last year was 5.1 per cent of its total commerce and West German banks have lent large sums to these countries.

Bankers say it was with great reluctance that a consortium of 25 West German banks last month agreed to assemble a 1,200m Deutsche Mark (£285m) credit deal to help the troubled Polish economy.

But the banks came under strong pressure from the Bonn government which wanted to help the Polish leadership while it was beset by labour unrest, rising energy costs and earlier flood damage to crops.

Herr Helmut Schmidt, the West German Chancellor, said on television last week that West Germany and the United States were determined to help the Polish economy. The Carter administration is expected to be sympathetic to Poland's request for increased credits to buy United States food to compensate for its flood-damaged crops. Polish-American organizations have been pressing for an economic assistance programme.

Despite the political sympathy in Bonn; the West German loan package was cut from the 1,500m Deutsche Marks (£355m) the Poles were seeking.

This reflected the concern West German bankers feel about Poland's hard-currency debt of about $20,000m and its burden of repayments and interest, estimated at between $7,000m and $8,000m this year.

Bankers say they fear the loan, two-thirds of which will be used to repay old debts, could encourage other debt-burdened East European countries to seek similar assistance.

All East European countries face problems similar to those which triggered the Polish strikes: sluggish economic performance which is forcing governments to maintain severe policies and curb consumer supplies. To try to build up industry, these countries have borrowed heavily from western banks and have accumulated huge hard currency debts.

United States Central Intelligence Agency (CIA) figures show that Poland's net debts to the West at the end of 1979 totalled $20,000m, the Soviet Union owed $10,200m, East Germany $8,400m, Hungary $7,300m and Romania $6,700m.

But bankers in Bonn say Yugoslavia, which is outside the Soviet block, is probably the East European country with the most serious debt after Poland, and they expect it to seek a rescheduling of debts next year.

West Germany's Federal Office for Foreign Trade Information estimates that Yugoslavia's net debt to the West is about $15,000m. It says the Belgrade Government's target for reducing the current account balance of payments deficit to $2,000m this year from $3,400m in 1979 is unlikely to be achieved.

A Frankfurt banker said that West German banks have stopped financing exports to Yugoslavia in the past two years leaving the task to banks abroad. With many western banks reluctant to lend to Yugoslavia, it has been borrowing in the Middle East but it has run into further difficulties.

Bankers and economists in Bonn say serious debt-servicing problems are unlikely to emerge in other East European countries soon, but western banks will need to be more cautious in their lending. They point out that the smaller East European countries import about half their oil from the Soviet Union.

Because Soviet oil production is not keeping pace with domestic consumption or the demands of its satellites, the smaller Comecon states will be forced to buy an increasing amount of higher-priced oil in the world market. Their trade deficits will continue to rise, forcing them to seek more loans in the West.

Another consequence may be greater insistence by Comecon states on paying for imports from the West with goods under compensatory trade deals, rather than with foreign exchange of which they are short. West German industrialists complain that the goods taken in exchange by the western exporters are often poorly made and difficult to sell.

David Edwards
Reuter

Overseas trade deficit revised downwards £450m for last year

Britain's overseas deficit on current account was about £450m less last year than previously thought. The deficit is now shown to have been around £1,860m or about a fifth less than earlier estimates. It was still the largest deficit since 1974.

The main reason why the current account deficit has been revised downwards is that the surplus on invisible trade was underestimated by around £550m.

The invisible account is made up of services—transport, travel, banking, insurance—as well as remittances of profits, interest and dividends, and government and private transfers.

Several of these items are now shown to have performed better last year than first thought.

However, the deficit on the visible account appears to have been about £100m larger than shown previously—at £3,404m. This was the biggest such deficit since 1976.

The new figures for Britain's balance of payments in 1979 were published yesterday by the Central Statistical Office in the "*Pink Book*", more formally called the "*United Kingdom Balance of Payments, 1980 Edition*".

One trend revealed by the *Pink Book*, which will almost certainly be used to support the case for import controls, is the sharp deterioration in Britain's traditional surplus in manufactured goods.

There was a surplus of £2,800m on trade in semi-manufactured and finished manufactured goods in 1979. This sum was almost half the surplus on these items in the previous year and the lowest since 1974.

This does not allow for inflation. The surplus might have been expected to rise to reflect the fall in money values.

Exports of finished goods rose by about 9 per cent last year, while imports of finished goods rose by 24.5 per cent.

Britain's visible deficit with the European Economic Community is shown to have risen last year. The deficit was £2,750m, compared with £2,650m in 1978. Trade with the EEC also has continued to increase in importance.

Exports of goods to the Community formed 42 per cent of the total in 1979, compared with 31 per cent in 1973. Some 45 per cent of imported goods came from the Community in 1979 against 35 per cent in 1973.

The upward revision to the invisible account brings the total surplus in 1979 to £1,540m. In spite of this, the surplus is still smaller than for any year since 1973.

Shipping helped boost the invisible account. Earnings from this item increased (after falling in 1978) as freight and charter receipts recovered sharply and foreign shipping operators paid more for bunker fuel.

However, there was also an increase in debit payments for shipping but this still left a small overall surplus compared with a deficit for the sector in the previous year.

Expenditure in the United Kingdom by tourists and other visitors from overseas was 10 per cent higher in 1979, although the number of visitors fell slightly. United Kingdom citizens also spent more abroad last year than in 1978.

But overall there was a net surplus on tourism and travel for business purposes. This surplus was £607m, down from the surplus of £960m in 1978.

The net invisible earnings of the City of London came to nearly £1,900m in 1979, according to the *Pink Book*. This is higher than in 1976 and 1977 but less than the record figure of over £2,300m in 1978.

City income from invisible trade increased from most sources between 1978 and 1979 but net United Kingdom banking earnings fell sharply as interest payments on overseas residents' sterling deposits more than doubled.

There was also a turnround in the balance of interest flows on United Kingdom banks' lending and borrowing in foreign currencies.

Insurance net earnings (another item which is conventionally included in City earnings) of almost £950m, was down slightly on 1978. This accounted for more than half of the earnings of the City as a whole in 1979.

Other leading contributors to the City's invisible earnings were brokerage (with £330m—of which the Baltic Exchange contributed £200m and the Stock Exchange contributed £25m); the commodity markets (£300m); investment trusts (£60m) and solicitors (£50m). All of these increased their earnings from the previous year.

Overseas oil companies' earnings in the United Kingdom rose strongly, from £650m in 1978 to £1,960m in 1979, with the increase fairly evenly divided between North Sea and onshore earnings. United Kingdom oil companies' earnings on their overseas operations also increased substantially.

Photograph by John Manning

Opec talks "inevitable": Negotiations involving the Organization of Petroleum Exporting Countries and the industrialized nations to improve the economic health of the developing world, were inevitable, Mr Fadhil Al-Chalabi, Opec's deputy general secretary (above) said yesterday (Nicholas Hirst writes).

The longterm strategy committee will make recommendations for increased aid to the developing world.

Mr Al-Chalabi told a London news conference that Opec was no longer simply concerned with protecting its own interests and raising the price of oil.

Chemicals industry faces drop in output and profits

By Edward Townsend

Britain's chemicals industry faces a drop in output of six per cent this year compared with 1979, with profitability declining to its lowest level since the war, according to the Chemical Industries Association.

In its latest economics bulletin, the association says there is little hope of any sustained recovery in production until the end of next year.

"For the longer term there is serious concern about the future strength and viability of many sectors of United Kingdom manufacturing industry which are important chemical industry customers, and to compensate for a threatened home market and to ensure its own survival the industry is urgently seeking to develop and exploit new markets in high technology industries."

The association says that because of falling demand, strong competition and lower feedstock prices, the rate of increase in the chemicals price index has slowed down from the February peak of 22.2 per cent

"There have recently been some large price reductions for commodity petrochemicals and plastics, and in other areas it is becoming increasingly difficult to secure adequate price rises, and margins are being squeezed everywhere."

Study reveals enormous potential of solar power from satellites

Technology News

A study of the industrial implications of solar power satellites (SPS)—large assemblies in orbit which would collect solar radiation and beam the power down to earth—has been completed for the Department of Industry by a team led by the dynamics group of British Aerospace at Bristol.

Also involved in the study were Marconi Space and Defence Systems, ERA Technology and the space group of British Aerospace at Stevenage.

Solar power satellites were first suggested in 1968 by Dr Peter Glaser in the United States, where the concept is now being investigated in a multi-million dollar programme involving the Department of Energy, the National Aeronautics and Space Administration and the aerospace industry.

Each satellite would consist of a very large array of photovoltaic cells which would convert the solar radiation into electricity. This would be transmitted to earth by a microwave or laser beam.

To generate five gigawatts of electrical power on the ground—equivalent to about 10 per cent of peak electrical generating capacity in the United Kingdom — would require an array in space of about 50 square kilometres. The associated ground receiving and conversion station would normally be about 10 kilometres in diameter if microwave transmission were used, or much smaller if laser technology were adopted.

The huge satellites would be assembled in space. Despite the extremely large scale of the space structures and launch operations involved, British Aerospace estimates that the SPS would be competitive with alternative energy options in terms of cast-off power generators.

In energy terms, the company says, the system is likely to break even after about four years of operation. But the overall scale is such that collaboration between the United States and Europe would be needed to mount such a programme, which could result in operational satellites early in the next century.

If the SPS materializes, it could become a large part of the world energy industry. For the United Kingdom it could be as big as North Sea oil or the entire British aerospace industry. A share of only 5 per cent in a pilot scheme of 50 satellites supplying 250 gigawatts could bring in £1,000m a year.

Thus the industrial, economic and employment opportunities of even a small share of such a project are in principle very large, and cover a wide spectrum of products and services. Among the options to be studied include offshore siting of the receiving/conversion stations.

In the United States and probably in the Soviet Union the SPS concept is being seriously considered as a possible source of base load electricity within the next 25 years. The factors that will affect a decison to go ahead will tend to be political, economic and environmental rather than technical.

For the United Kingdom, British Aerospace believes that industry should keep abreast of the technology, and develop particular areas of expertise in readiness for possible future international projects.

Research aircraft

A small, unmanned research aircraft with a wing span of only 12 feet has been developed for the Ministry of Defence by Marconi Avionics and Cranfield Institute of Technology. Shown in model form at the Farnborough International Air Show, the machine is powered by an 18-horsepower 2-stroke engine.

Known as the Machan, the aircraft is intended as a research tool to explore the use of unmanned aircraft carrying various types of electronic payload. Reconnaisance, target practice and "special missions" are among its potential uses.

Machan is Marconi Avionics' first venture into the field of complete aeroplanes. It is believed to be the first of its type in the world to have an all-digital flight control system.

The machines will be flown under ground control and used to explore the control and handling problems of small, unmanned aircraft; test a variety of payloads; investigate operations procedures; and develop an integrated electronics system.

Kenneth Owen

Queens Moat Houses Limited
Hoteliers

INTERIM PROFITS UP BY 46% AS EXPANSION CONTINUES

£2.7 million rights issue

Chairman John Bairstow reports results for the half-year to 13th July 1980:

- Pre-tax profits up 46% to £471,000
- Interim dividend raised to 11% (7.5%)
- Three commercial hotels purchased
- Three additional acquisitions announced
- Rights issue of convertible loan stock
- Significant improvement indicated for full year and expansion will continue

1980 Interim Report and circular available from Queens Moat Houses Limited, Queens Moat House, St. Edward's Way, Romford, Essex RM1 4DD.

LETTERS TO THE EDITOR

Milk levy and the Common Agricultural Policy

From Mr Andrew Pearce, MEP for Cheshire West (Conservative)

Sir, I have just seen the letter from Mr Corder of Somerset (August 18) complaining about the coresponsibility levy paid by dairy farmers, especially since the United Kingdom is only 70 per cent self-sufficient in milk production.

I am with Mr Corder in that nobody likes paying taxes, but Mr Corder should really take on board the following points:

1. The Common Agricultural Policy aims to preserve a healthy home agricultural industry, in part by protecting farmers from the full competition of world forces but also by payments of taxpayers' money—an aim not dissimilar from that of the United Kingdom Agriculture Act of 1947. If it were not for such policies, many sections of agriculture would find life very difficult. The growing numbers of unemployed in textiles, footwear and other industries have reason to envy this protection.
2. The CAP in the dairy section is *too* successful and has been producing more milk than can be used, even at subsidised prices, except by selling it to the Russians; the British public will not stand for this situation of surpluses being continued.
3. In 1973 we joined what is intended to be a "common market" of nine countries; therefore, the case for protection, justified on production/consumption figures for the United Kingdom alone, seems to be based on a misunderstanding of what we are about.
4. All EEC legislation of any significance is approved by British ministers in the Council of Ministers—the EEC laws are made by "us" just as much as by "them".
5. Some member states, through marketing systems run jointly by farmers, food processors and traders and government, seem to be more effective in the international market place than our people are. We could be as successful as they are if we modified some of our marketing arrangements.

We all want British agriculture to continue to be successful. I have no doubt that it can be, inside an EEC agricultural policy. The CAP, like all things and all people, needs to change to fit in with changed circumstances. That is what we are trying to bring about.

Yours faithfully,
ANDREW PEARCE,
30 Grange Road,
West Kirby,
Wirral,
Merseyside, L48 4HA.

Technological change in the office

From the Chief Officer, The Royal Society of Arts Examinations Board

Sir, I should be grateful if you would permit me to comment in connexion with your article "Custodians of shorthand skills refuse to take their chips lying down" (August 18).

The society's Examinations Board is most anxious to ensure that proper and adequate provision is made by schools and colleges to meet the challenge presented by the rapid technological changes now having an appreciable effect upon office procedures generally. In order to provide a basis for the discussion of these developments the board has recently published a consultative report on "The Educational and Training Implications of Modern Technological Developments as they affect Offices and Administration". Copies of the report may be obtained, free of charge, from the society's house and comments, particularly from readers in industry and commerce, would be welcome by October 31, 1980.

Although the introduction of word processors into offices in the United Kingdom is still very much in its infancy, there has been a small, but significant, shift in the entry requirements that employers are demanding of new office staff. This is borne out by the comments of some of the employers who serve on the board's committees and by the fact that over the last five years the total number of single-subject entries for the board's shorthand examinations has remained almost constant, whereas the entry for audio-typewriting has risen by over 50 per cent.

It is anticipated that during the next few years many larger firms and, incidentally, a high proportion of small businesses, will introduce the new technology into their offices. To maximize the use of this relatively expensive equipment operators of word and information processors will be recruited solely with this purpose in mind, and many firms will find it more convenient and cost effective to use audio rather than shorthand as the input medium for these staff.

For those firms which have offices in more than one location this trend could be accelerated further once standards for the transmission of data from word processors and computers over the national and international telephone network have become established.

In outlining these trends I should like to emphasize that the board does not see the demise of shorthand in the office but anticipates a change in the emphasis of employers' requirements towards audio techniques and we therefore regard it as being particularly important that the office skills curricula of the mid and late 1980s should reflect this change.

Yours faithfully,
ROBERT CHANTRY-PRICE,
Chief Officer of the Board,
The Royal Society of Arts Examinations Board,
John Adam Street,
Adelphi,
London WC2N 6EZ.

Sales of new technology overseas

From Mr D. D. Bellis

Sir, Your report (August 14) regarding the sale by Queen's University, Belfast to a Japanese company of rights in a new energy technology is very disturbing.

In a period of alarming industrial decline, why could this new technology not be exploited within the United Kingdom? Could no British company be induced to sustain the development costs, and gain the "technical feedback" which is claimed to be the major benefit of the licence agreement.

To sell the use of patent rights under licence is, of course, a perfectly legitimate commercial practice, but whether the sale of rights in a new and possibly significant development, is commercially wise is open to discussion, especially as the return is stated to be "minimal".

Certainly, if a university in Japan (or the United States, or Germany or France?) had taken out a patent in a new technology, can one really believe that the licence right would have been sold to a competing industrial nation?

Finally, what should the power role of the Department of Energy be? If the department believes that it is proper for the department to underwrite research with modest grants, surely it is possible for the department to ensure that the research results are used by British companies, if at all possible. It is interesting to note that the Japanese company, which has bought the rights, had previously used Japanese government patents.

Why does the Department of Energy not take out Crown patents on technology developments funded by government grants?

DAVID D. BELLIS,
72 Main Street,
Kings Newton,
Melbourne,
Derby.

Helping the young jobless

From Mr P. D. Maud

Sir, It seems to be widely agreed that the impact of our very serious unemployment situation on the young, including school leavers, is of special concern. It is essential that they should feel there is a place for them in the working life of the nation.

To help alleviate the situation, could not the age when men qualify for the state retirement pension be reduced—by stages—from 65 to 60, say by one year each year over a five-year period, with a view to employed men aged 60 plus being replaced to a large extent by unemployed young men? The cost to the state should not be too high—in many cases replacing unemployment pay by state pension. Over a period of years it should be possible for employers to adjust their pension schemes to this situation without too much difficulty and added cost. Much more care would have to be taken to prepare men for retirement as is already done; but only to a limited extent.

Some years ago when I was in charge of the personnel function, in an industrial concern, we had two quite serious redundancy situations. They were dealt with by offering premature retirement on company pension to long service employees nearing retirement age. The terms were made attractive and every possible help was given to those who took this option. The only complaints I remember came from men whose service and age were such that they just missed being given this opportunity for early retirement.

Yours faithfully,
DAVID MAUD,
David Sheppard & Partners Limited,
21 Cleveland Place,
St James's,
London SW1Y 6RL.
August 28.

Linguistic ability of cabin crew

From Mr Harry Bohrer

Sir, Mr Martin Bulmer (August 20) asks whether British Airways cabin crews on routes to and from Germany speak German, having just flown in from Munich, when the German language in-flight announcements had been tape recorded. I have been flying to and from Germany regularly for many years, more often than not with BA, and find that a German speaking stewardess is a very rare exception. I recall the occasion when on take-off the stewardess put on the German tape announcing that we were about to land and would we therefore extinguish cigarettes, etc. She found the laughter of her German passengers most confusing.

Your sincerely,
H. BOHRER,
6, Museum House,
Museum Street,
London, WC1.
August 21.

Buying pesetas at banks

From Mr S. Blanche

Sir, Inquiry on August 22 to two local banks (part of the Big Five of course) produces the answer at one bank that "there is not really much demand for pesetas, and it will be difficult for us to get them for you in a week" and at the other bank they are able to produce them in a week.

Here we go again with the banks—increased profits, decreasing service.

The idea that Spanish pesetas are in little demand I just find totally unbelievable.

Yours faithfully,
S. BLANCHE,
Blanche & Co,
Thames House,
Wellington Street,
London SE18 6NZ.
August 27.

Business appointments

New chief at Concentric Group

Mr John F. Watson has been made managing director of two of the Concentric Group's companies, Delta Controls and Delta Technical Services, in succession to Mr A. J. V. Carpenter, who has retired for health reasons.

Mr William Kent has been appointed by British Rail Western Region as deputy general manager. He replaces Mr John Barker who has moved to British Railways Board Headquarters, Marylebone, as personnel adviser (traffic).

Mrs Penelope P. Hughes has been made company secretary and legal adviser to Sketchley in place of Mr P. G. F. Lancaster, who is retiring.

Mr J. H. Rohde has become chairman of Ashlow Limited, the new company jointly owned by Bridon and Korf Engineering of West Germany. Mr J. Churchfield becomes deputy chairman and Mr T. Lyon managing director.

Mr Ian Davies and Mr Michael A. J. Hayden have been appointed directors of Unionamerica Management Company. Mr Hayden has also joined the board of Unionamerica Insurance Company.

Mr John Stark is the new marketing director for Dolphin.

Mr Richard M. Holloway, vice-president and managing director of Chemco Equipment Finance Limited (UK), takes up the post of regional general manager for Chemco's Asian operations, based in Hongkong. He is succeeded in London by Mr David A. Moring, vice-president, who returns from Toronto where he was responsible for corporate development with Chemical New York (Canada).

Mr Peter Mackintosh is now director of development Highland Regional Council.

Mr L. D. Hill has become a director and chairman of Trust Secrities Holdings. Mr Ash Bosu has been made finance director.

Mr C. R. M. Livingston is now a director of French Kier Holdings, and becomes a director and chairman of French Kier Products and Services. He remains a director of Kier International. Mr E. R. Allen is now managing director of Kier International in place of Mr W. Fox, who takes over the chairmanship. Mr J. C. S. Mott, group chairman, relinquishes his apointment as chairman of French Kier Products and Services and Kier International but remains a director of both.

Mr John S. Glanvill Smith, chairman, Glanvill Enthoven & Company has been made a director of Jardine Matheson Insurance Brokers.

Mr Tony Brown is now sales director of Griflex Products.

Mr George Home has been made a non-executive director of The Wagon Finance Corporation.

Dr J. V. H. Pennings takes over as chairman of Océ Copiers (UK). Mr J. Steffens has been made a director and Mr J. Devitt becomes a director and general manager.

Mr J. Anderson and Mr T. Waine are now manufacturing director and commercial director respectively of Masson Scott Thrissell Engineering, a member company of Molins.

Admiral Sir Raymond Lygo, formerly deputy chairman of the Dynamics Group of British Aerospace, has joined the board of British Aerospace to succeed Mr G. R. Jefferson as chairman and chief executive of the Dynamics Group of British Aerospace.

Mr R. J. McAlpine is now chairman of Marchwiel Developments and Mr P. E. Jones is managing director. Mr O. P. Edge, Mr P. Green, Mr O. J. Rich and Mr J. Smith are directors.

Sir John Hedley Greenborough has been made a member of the boards of Lloyds Bank. Sir John has also been made a regional director on the Greater London Regional Board of the bank.

Mr Russell Gore-Andrews takes over as managing director of the More O'Ferrall Group.

Mr John Jump will become managing director of BP Coal from September 8 on the retirement of Mr Douglas MacCallan.

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BY THE FINANCIAL EDITOR

Gilts in limbo

Ever since their high point at the end of July gilts have been looking distinctly groggy, and there are no signs of an early revival. Hopes had been raised of substantial cuts in the Minimum Lending Rate after the 1 per cent cut on July 3.

These expectations have not been fulfilled. With American rates hardening again the horizon for a sustained bull market in gilts has become hazier.

Banking figures for July published early in August put paid to expectations of an early further cut in interest rates. With the figures suggesting that the underlying rate of growth of M3, the broadly based measure of money, was 5 per cent, gilts started to lose ground. The next critical date is a week today when the banking figures for August are to be published.

These could again be disappointing. Estimates in the City vary with a range of a rise between 2 and 4 per cent as the underlying figures for money growth being suggested. But in August, too, freak factors are likely to be at work.

Re-intermediation (borrowing previously in the commercial market coming back into the system) is still going on and no one really knows the scale. The switch from Euro-sterling borrowing incurred during the corset period into bank borrowing will also add substantially to money supply. Finally there is the so-called "round-tripping" by companies taking advantage of their overdraft facilities to re-lend at a higher rate in the short-term money markets.

Even so the underlying growth in money supply could still be around 1 per cent. It now seems that the government's monetary targets will not be achieved in this fiscal year and later in the autumn we should be getting the new monetary targets.

These are largely the uncertainties which keep the gilts market inactive. But there is another and more fundamental point. Many investors now believe that the American economy is on the recovery path and that the market to be in is in equities. If this is so it means that the recovery in this cycle will take place from a high level of inflation and interest rates and for this reason such a recovery might not be sustainable for long.

But even so United Kingdom gilts still look cheap with the longs yielding around 14 per cent. Sooner or later the demand for loans should abate, as it has done in previous recessions, and this will be the first sign for a revival in the market.

Coral
Grand Met's sure instinct

Even after its purchase of the United States Liggett business, Grand Metropolitan still has the appetite and instinct for the big deal when it sees one. Coral, with its substantial gambling businesses and its Pontins operations (which would meld in well with Grand Met's catering and drinks divisions) was too good a chance to miss, and with Grand Met's unblemished reputation in gambling, the purchase of Coral would give it an unassailable position in the London casino business. There will be problems of course in unwinding Coral's difficulties in casinos, but they should not be insuperable.

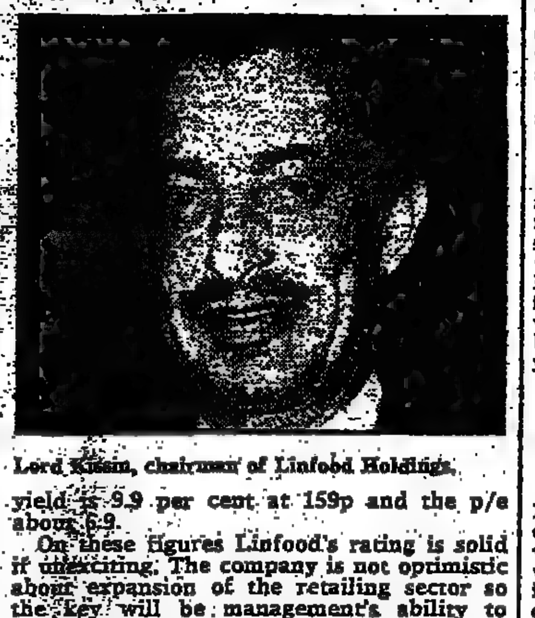
The biggest gamble perhaps is that Grand Met plus Coral will attract the attention of the Monopolies authorities. Mr Maxwell Joseph, with his sure touch for the brilliant deal though, apparently thinks that the authorities will consider the alternative for Coral unattractive enough to turn a blind eye in this case.

Meanwhile, following Liggett, Grand Met's debt-to-capital employed shot up from 32 to 45 per cent so there is no real surprise that yesterday's offer was an all-paper affair, particularly as Grand Met's shares have been strong this year rising a third to 158p since the US deal was announced in the spring.

Linfood
Strength in diversity

With pretax profits of £10.2m, slightly above the level forecast at the time of the rights issue and 35 per cent up on last year, Linfood is swimming bravely against the retailing tide. Trading margins have been raised from 1.29 per cent to 1.5 per cent, pointing to the benefits of tight financial control and destocking of low margin lines. For the present it seems that the merger with Wheatsheaf has produced the right mixture of cash and carry, retailing and wholesaling.

But the question is whether such progress can be maintained in a very hostile environment. Linfood is probably too diverse to be a high flyer, although that diversity also has defensive strengths. The final dividend of 10.7p makes 15.7p gross for the whole year, an improvement of 11.3 per cent after the rights issue, where the



Lord Kissin, chairman of Linfood Holdings.

yield is 9.9 per cent at 159p and the p/e about 6.9.

On these figures Linfood's rating is solid if unexciting. The company is not optimistic about expansion of the retailing sector so the key will be management's ability to adjust to new conditions. It has taken steps in the right direction by moving into fresh foods and cutting out more expensive, low margin items. But Linfood will be lucky to repeat last year's performance in the current year.

Dunlop
A convenient counter

The future of Dunlop, an important British employer and one of our major exporters, is fast being decided with all the logic of a game of mah-jongg amid the caprices of a few important Malaysian business interests. The story now emerging from the Far East is that Dunlop is being used as a convenient counter to further the political ambitions of some Malaysians, with scant regard for the long-term interests of the group.

Speculators have been having a field day with the shares since Far Eastern buying became a material factor some four months ago. The shares have leapt way ahead of a level justified by trading fundamentals, where the interim figures due at the end of this month—burdened down with higher interest charges and sharp volume declines across the board in its tyre, industrial and engineering divisions—will be gruesome even compared with last year's strike-hit opening six months.

Those who hope for a bid in the 100-120p range, around a quarter more than the current share price, could well be disappointed.

Dunlop is understood to have prepared its defences well. With an unusually wide spread of small shareholders for a public company, the Dunlop board may well be counting on their traditional apathy although the dismal record of the past decade and little immediate hope of the group trading out of its present difficulties, will test any loyalty to the full.

But Dunlop clearly hopes to short-circuit any approach long before it has to be decided by shareholders. For one thing only about 10 per cent of the shares are thought to be in the control of a former chief minister of Malacca, Mr Ghafar Baba with the remainder controlled by his political opponents. Dunlop could well come to a deal with them, by conceding greater local control for its estates in Malaysia, in return for support against Mr Baba.

Second, Dunlop is thought to have secured the support of the United Kingdom Government, and having just received £6m of aid to modernise its United Kingdom tyre factories, a monopolies reference could be the trump card. Certainly, Mr John Nott, the Trade Secretary, responded speedily to the company's request for DoI help in identifying nominee shareholdings.

And finally, there is little likelihood of Pirelli agreeing to the bid, which under the terms of the Dunlop-Pirelli union a decade ago it has to do if 25 per cent of the major constituents of the union goes to another party, since despite the improved showing of the Pirelli operations over the past year it knows full well which side its bread is buttered.

Hugh Stephenson

The Bank's reputation in the balance

As the Chancellor of the Exchequer and other ministers return to their desks from their summer holidays, it will rapidly become apparent to them that they are facing a point in the life of the Government's overall economic strategy quite as serious as the crisis in November, 1979, which led to the raising of the Bank of England's minimum lending rate to an unprecedented 17 per cent. It will be as much of a crisis for the Bank of England.

For the truth is that the Government's monetary policy in the eighteen months since it was elected has been substantially a sham. On the one hand the Prime Minister, the Chancellor of the Exchequer, Mr John Biffen and the other members of the Headquarters Group at No 10 have projected the image of convinced, not to say rigid, adherence to the monetary policies of the Chicago guru, Professor Milton Friedman.

In brief these might be caricatured as the assertion that all the Government had to do was to control the supply of money in the economy, as measured by something called Sterling M3, and the rate of inflation would fall into line after an uncertain and variable time lag of somewhere between eighteen months and two years.

Some of the pronouncements of the Headquarters Group in public have indicated that such a depiction of the policy was less of a caricature and more of a studio portrait. And, reinforcing this image, the leaders of the Trades Union Congress, meeting this week at Brighton, will reinforce this public image of the Government's monetary policy with attacks on the way in which its doctrinaire adherence to monetary targets is bankrupting the economy and creating needless unemployment.

Insofar as the Headquarters Group managed to commit the Government formally to a financial policy based on a firm control on the growth of money in the economy in the course of 1979, it did so on the advice of the Bank of England. It was a period when, in the War for Howe's Ear, the Bank had an unusually ascendancy over the Treasury.

So much for the theory. On the other hand, for the greater part of the period since the Government came to office the practice has been the opposite. The theory says that you control the supply of money and accept whatever consequential level of interest rates comes out of the system in the course of the resulting "stabilization crisis".

In practice the practical politician in the Prime Minister began worrying about the level of interest rates within a matter of weeks of getting to No 10, not because of the effects on industry but because of the effect on building society mortgage rates.

As a matter of historical fact, the Headquarters Group's conversion to ideological monetarism was never much more than skin deep. Some close observers say that it had little to do with the persuasive ideas of Professor Friedman and Professor Hayek and more to do with the fact that Sir Keith Joseph in opposition in 1974 was particularly open to the suasions of Mr Samuel Brittan of the *Financial Times* and Mr Peter Jay, then of *The Times*, because he wished to distance himself from Mr Edward Heath, who had just refused to make him his shadow Chancellor of the Exchequer. The intellectual basis of the policy within the Conservative leadership was correspondingly never very deep rooted.

Some time between the end of November and Christmas 1979 any pretence that the policy was still being based on ideological monetarism went out of the window. It became clear that, starting with the Prime Minister, the Government was desperate to stop any further increase in interest rates. Mr Nigel Lawson, the influential junior minister at the Treasury, fought a lone late battle to run the financial system on the basis of free market and competitive forces. But by mid-January the fight was over.

This, however, has put the Bank of England suddenly in an exposed and difficult position. For since January 16 it has been engaged in a continuous and substantial effort to hold the lid on market forces that would by themselves have pushed interest rates still higher.

The Government's monetary and fiscal policy was designed to make money tight. Net taxation was raised and many payments accelerated. Much government debt was sold to the non-banking parts of the financial system. The (intended?) result was tight money. But every month since January the authorities have taken substantial measures to offset the consequences of their policy in the banking system.

The Bank of England's risk was that it presented this intervention as merely a "smoothing operation". Initially the smoothing was to last until the end of the main tax gathering season in February. It is clear, however, that something that lasts for over eight months cannot be termed mere smoothing. A new and more credible story is required before the Bank's reputation within Whitehall goes out with the rest of the bath water.

What is it worth to save a life?

Howard Abbott

If a human life is lost because of a defective product how do we decide how much that life was worth? The simple answer is possibly as much as a quarter of a million pounds or more, if we go by recent awards for damages in court. It will depend on who was killed and how the court values their loss.

But for society the question is not really as simple as that. A lethally defective product is the ultimate product liability risk and the measurement of this risk a considerable task, with a damages award a minor factor. Let us take some examples.

In the early 1970s in France 36 babies died because they were dusted with defective talcum powder. The families of those children received an out-of-court settlement of £2,800 each. The total cost to the companies involved was about £1.5m, with Givaudan paying the lion's share while not admitting liability.

In the summer of 1978 two elderly pensioners died after eating part of a tin of defective salmon. It was reported that their estate received £3,500. The total cost to Unilever, whose subsidiary sold the salmon, was £2m in lost profits with sales of the product down to 30 per cent of the original levels at the end of that year.

If an aeroplane crashes because of pilot error then the victim's estate will get a maximum of £25,000, according to the Warsaw Convention. If the plane was defective there is no maximum and the sum awarded can vary widely. The family of a victim of the DC-10 crash in Chicago has just been awarded £120,000, but the cost to McDonnell Douglas and the airlines whose planes were grounded was measured in millions.

At the beginning of July the House of Commons was told by the Parliamentary Secretary to the Ministry of Transport that the cost of a fatal road accident was £113,000 and a serious accident £6,100. It was estimated that the total cost of road accidents in Great Britain in 1979 was £1,730m.

Of this sum 37 per cent went on damage to property, 31 per cent on lost output, 24 per cent on pain, grief and suffering, 5 per cent on police and administration and 3 per cent on medical treatment and ambulance service.

But these estimates all work on hindsight. They give an idea of what a life *was* worth. It would be more useful to measure the cost of a life differently, especially when some form of strict liability legislation is imminent.

Such legislation, which is now being considered in Brussels, would lay a manufacturer open to claims for damages from anybody, without the need to prove negligence, in the event of injury being inflicted by a defective product.

It would be far more positive to determine what it would cost to make sure that someone was *not* killed — the positive approach rather than the negative one.

The Road Research Laboratory has produced some interesting figures. The government publicity campaigns on the wearing of seat belts have cost between £½m and £1m a year since 1973. It is estimated that this has saved 5,000 deaths and serious injuries at a saving of about £25m.

The cost of the campaigns was perhaps £5m. There was also the cost of the belts and of fitting them, but this still does not greatly diminish the saving.

To focus this sort of approach on the everyday things that actually do kill us is difficult. And before the manufacturers of consumer products rise in a body crying that defective products hardly ever harm people, let it be said that there are no objective data on the subject.

In this country the only independent figures are provided by the Home Accident Surveillance System of the Department of Trade, and they can identify only the products involved in accidents and not those responsible for them.

The prevention of any death has to be of benefit to society and in the last few years people have been killed by defective electric light bulbs, bursting carbonated drink bottles and a pork pie. A recent survey suggested that a third of the electric plugs in homes had some sort of defect; in 1977 some 60 people were electrocuted by faults in electrical installations.

Absolute safety is an unattainable ideal for any product. Every product has to carry with it some risk for someone, somewhere. What we should be trying to do for everyday products is to quantify their safety. Just what risk does a gleaming new consumer durable import into the kitchen?

If the risk of death or serious injury is to be reduced, then people may have to pay more for what they buy. This people may be willing to do if there was some way of quantifying the size of the risk reduction achieved.

The subjective claims, such as "improved safety", have no measurable meaning unless there is some way of demonstrating how much safety has been improved.

The evaluation of risk and the cost of its reduction are familiar to those in nuclear engineering and aerospace and, to some extent, in the chemical processing industry. Already considerable data banks exist which enable forecasts to be made on the reliability of components, sub-systems and installations. New risk assessment techniques have been developed which are helping to put a number on safety.

If hazards are designed out in the first place, or safety devices incorporated in the final installation, the cost of so doing can be balanced against the size of the risk reduction. It needs but little imagination to see this as how much it costs to save a life.

Indeed, for society perhaps we should be asking not how much is a human life worth? The real question may be: how much is it worth spending to save a life—any life?

Mr Abbott is the author of Safe enough to sell? Design and product liability, *which is to be published by the Design Council in October.*

Shipping steers a steady course

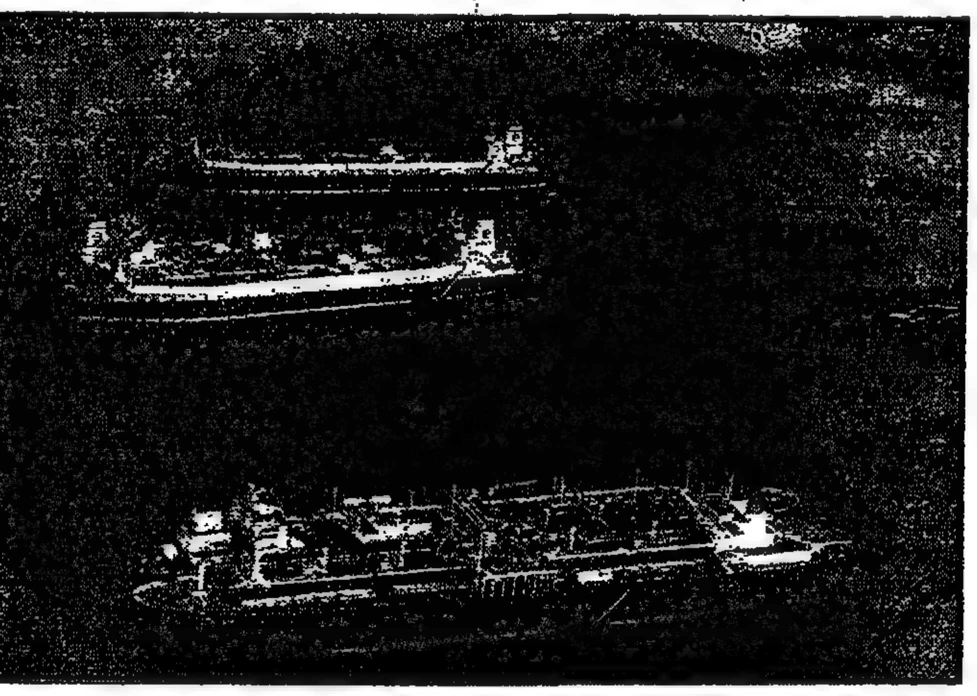
For an industry that has found itself plunged into a worldwide trade recession just as it was emerging from its own five-year slump, shipping is holding up remarkably well.

Confused is probably the best word to describe the market situation, with that for tankers markedly worse for dry cargo ships. Nevertheless, at least one respected commentator, London's Terminal Operators, is confident enough to predict a period of "reasonable prosperity" for shipping over the next few years.

"The traumas that have afflicted the industry through much of the seventies appear to be disappearing and a period of greater stability is emerging," says their latest market analysis. Others take a less optimistic view. "The outlook for the tanker and dry bulk markets is not favourable" is the blunt conclusion of Laurence, Prust.

It is an uncertain situation: not as good as was hoped at the end of last year when freight rates and ship prices were rising fast and idle tonnage plummetting; better than when President Carter responded to Afghanistan with an embargo on grain shipments to Russia at the start of the year.

But that embargo has had an unexpected result. Instead of knocking the bottom out of the dry cargo tramp market it has apparently added new strength to it. Russia successfully made up its grain imports elsewhere,



Tankers laid up in Haugesund harbour, Norway last year: rates still depressed.

from places such as Argentina, involving longer hauls than from the United States and Canada. Some of these new patterns may stick, to the long-term advantage of the tramp owner.

Tankers remain severely depressed, with rates for the very large tankers barely enough to cover daily operating costs. The rate has moved up in the last week or two from worldscale 25 to worldscale 33 (just about the minimum to cover costs), but with the world awash with oil there is little prospect of further substantial gains and the steady trickle of tankers into lay-up has probably already begun.

Both storage tanks ashore and many big tankers afloat have been filled as suppliers stocked up against a possible producer cutback. The continuation of present market levels should speed the flow of ships to scrap.

So while there is still a substantial surplus of tanker supply over demand (say 350 million as against 270 million deadweight tons) the gap is closing and could do so at an accelerating rate over the next two years. Indeed, the optimistic Terminal Operators predict an actual shortfall of 21 million tons in tanker tonnage by 1982.

The dry cargo market remains strong (though not strong enough to finance new tonnage, owners would say), but signs of weakness are appearing in Japan, the mainstay of the market of late with its voracious steel industry.

Liner shipping is also holding up remarkably well in the recession. The Far East, Middle East and African trades remain firm and, apart from the spectacular collapse through special circumstances of Germany's Hansa group, liner companies are reporting reasonable results despite strong Russian and outsider competition.

Slimmer, tougher and wiser after its disastrous slump, shipping is steaming ahead steadily, keeping a wary eye on the mixed skies on the horizon and not too unhappy (except for some large tanker owners) to be where it is at the moment.

Michael Baily

Business Diary at the TUC conference

Brighton, Monday

Mrs Thatcher may take at least one consolation from today's deliberations. She may not be popular—Miss Margaret Burns, receiving the TUC's annual award for women, described her as a disgrace to her sex—but she is not the figure most hated by the extreme left gathered outside the Brighton Centre.

That accolade, for he would surely acknowledge it as such, is reserved for Frank Chapple, general secretary of the Electrical, Electronic, Telecommunication and Plumbing Union. If the promises of some of the motley band of demonstrators shouting away outside the TUC are to be believed, Chapple would really be well-advised to tread carefully in Brighton this week.

His opposition to the TUC's delegation to Poland is the least of the charges which his opponents in the EETPU level against him. More often quoted are his zealous attacks against anything which he sees as bearing communist connexions.

Chapple, who has dealt with many setbacks in the past in his fight against the left, has however a new one to tackle. On Sunday he introduced to Brighton one Vladimir Borisov. Borisov, 37, is an exiled Soviet dissident, and leader of Smot, the illegal Soviet free trade union organization. He is also

Roy Grantham of Apex.

an electrician which double endeared him to Chapple's heart.

Borisov could be heard dutifully telling the world how the TUC's proposed visit to Poland was, as Chapple had already intimated, a demonstration of the organization's unity with the oppressors of the striking Poles.

All well and good and almost a feather in Chapple's cap. But yesterday, Borisov popped up somewhere else in Brighton, this time enlisting the support for the Poles of those attending a meeting of the Right to Work movement. For those blissfully unaware of the fragmentation of extreme left-wing politics, I should explain that the Right to Work movement is a front organization for the Socialist Workers' Party.

The only thing the Trotskyist SWP shares in common with Chapple is a virulent antipathy towards the Soviet Union. Borisov recently penned a large article in the *Daily Mail* detailing the oppressive nature of the Soviet regime. I am reliably informed—to use a phrase much in use in Brighton this week—that his appearance on an SWP platform is unlikely to increase his chances of reappearing in the Mail's columns.

● Clive's lads always have to be first, and this year they may have set a record. The Association of Scientific, Technical and Managerial Staffs delegation proceeded to walk out of the main hall a few seconds after the mayor of Brighton, John Leach, had started his formal welcome to the conference.

Jenkins himself remained immobile at the back of the platform as ASTMS performed this rather petulant protest to show their support for the local trades council.

This body had told Brighton's worthies that spending money on receptions for visiting conferences was wrong in times of financial stringency for local authorities. The Brighton councillors believe that the £150,000 they lash out each year on gin and tonics and canapes for the visitors is a small price to pay in return for the incoming business it acknowledges.

The trades council duly took up their fight with their parent body, the TUC, only to be told, in no uncertain terms by the general council that they were not likely to receive any support from that quarter.

"This caused an awful lot of embarrassment locally," trades council president Andy Durr complained at the opening of conference. And he then went on to say that as the council has already spent the money for the formal civic welcome to the TUC it would be silly for any delegate to miss it.

ASTMS, which has in the past made clear its strong feelings about such hospitality sessions, decided to record their displeasure with a formal, brief walk-out, and will no doubt follow up Durr's exhortations to trade unions to ignore bun fights on the rates in the future.

Those readers concerned that our trade union worthies may have to question their consciences when it comes to enjoying the bright lights of Brighton may rest assured, however.

As is usual at the TUC there is a plentiful supply of receptions, cocktail evenings, and general mayhem paid for out of the funds of the host unions concerned.

One such event starts in 30 minutes. The invitation reads: "The President, General Secretary, and Delegation of ASTMS request the pleasure of your company. . . ."

● The ascension of Arthur Scargill to the TUC's general council may not be the only electoral shock to be registered here this week.

There are signs that Alan Sapper, bumptious left-wing general secretary of the Association of Cinematograph, Television and Allied Technicians (ACTT), may lose the seat he so dearly loves. The Amalgamated Union of Engineering Workers has withdrawn its support for Sapper, and switched it to Roy Grantham, right-wing general secretary of the Association of Professional, Executive, Clerical and Computer Staffs (Apex).

This switch from the ACTT to Apex could put Grantham back on the policy-making body of the TUC, over which he was once an integral part. He lost his seat a few years ago in just such an about turn as now threatens Sapper when the full results are known tomorrow.

● One of the few black faces in this morass of equality belongs to Fred O'Neal. He is there as the fraternal delegate from the TUC's American equivalent, the AFL-CIO.

O'Neal, the tough-looking vice-president of AFL-CIO, stirred the embers of the conference early on when he made a resounding speech in support of the Polish strikers.

Trade unions throughout the world ought to declare their support for their brothers and sisters in Poland, said O'Neal, and the conference responded with spontaneous burst of applause. Whether this affects the TUC delegation is, of course, another matter.

Those conservationists who want Brighton to remain unspoilt by its popularity with tourists, must be relieved to know that they have a formidable weapon on their side. This is a vast and complex system designed to make life as unpleasant as possible for anyone trying to get to the place. It is known as British Rail Southern Region. Climbing into the filthy vehicle which masqueraded as a carriage at Victoria, I asked one of the platform staff if the train carried a buffet. "Oh yes, it's got a buffet," the man beamed. Then he added gleefully: "But there ain't no staff to run it." Right to Work marcher, please note.

David Hewson

Lynton Holdings

Rents Receivable £3.1 million
Distributable Profits £601,000
Dividends 15.5%
Earnings per 20p share—6.72p
Investments in excess of £56 million
Net assets per share 293p
Borrowings down £8.3 million from £26.3 million since year end 25.3.80

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FINANCIAL NEWS

Stock markets

Equities drift in quiet session

A gentle rally in Government securities was the only decisive trend to emerge from the market yesterday. Trade in equities was minimal—the quietest day this year, according to one jobber—and by the end of the first day of the new account the *FT* Index had drifted 3.2 down to 480.7.

Few leading shares showed any significant change on the day and where prices did move, it was often the result of small orders in very thin conditions.

However, although holidays and the lure of the centenary Test at Lords depressed activity, dealers were heartened by the relatively slight fall in the market in the face of growing evidence of recession, the latest gloomy CBI survey and doubts about the Government's monetary policy.

Gilts, after their sizable falls in recent weeks, moved ahead steadily with activity concentrated at the long end of the market. The strength of sterling as it broke through the \$2.40 level in London helped the market and dealers described the performance of the gilts market as partly a technical reaction in recent weakness.

Longs opened around £¼ better and by the close were showing gains ranging from £¼ to £½. In thinner conditions short-dated stocks closed with gains of £⅛ to £3/16.

Press comment and special situations dominated the equity market in the absence of any significant buying or selling. But even Dunlop, 1p better at one stage, closed unchanged at 77p despite press comment suggesting a bid may be imminent.

ICI at 356p and Glaxo at 234p both ended unchanged after being 2p better and 2p worse respectively. Beecham at 147p and BAT at 275p both eased 1p.

TI was a weak spot, losing 14p to 232p. BTR slipped 2p to 370p on rights issue rumours and Hawker eased by the same amount to 214p. Elsewhere in engineering, Westland rose 5p to 115p on news of large helicopter orders.

Mr Dennis Dukes reckons he is the busiest man in the Midlands, selling off the engineering interests of his Astra Industrial Group to leave it as a cash-rich property concern. Word is that when the deals are complete the group's cash alone will be worth 26p a share. The price closed last night at 18p.

Responding to press comment Thomas Tilling rose 2p to 168p, Hawthorn Leslie 8p to 120p, More O'Ferrall 10p to 93p and Brocks Group 8p to 26p. Mitchell Cotts added 2½p to 46½p.

Coral, another weekend press tip, was suspended after rising 6p to 67p before the Grand Met bid.

James Finlay went 5p better to 113p after comment but adverse press mention clipped 10p from B. Elliott to 248p, 5p from Cosalt to 31p and 1p from Turner & Newall to 105p. Fears that Haynes Publishing may miss its profits forecast left the shares 15p down at 138p.

Oils were one of the weaker sectors of the market with press warnings about BP's interim figures on Thursday having a disproportionate affect in the sparse conditions.

BP itself slipped 6p to 336p while other stocks drifted lower on some light selling. Shell lost 6p to 404p, Ultramar 6p to 320p, Burmah 4p to 180p and Tricentrol 8p to 308p. Lasmo closed unchanged at 647p, IC Gas ended 4p lower ex-scrip at 254p and among the second liners Carless Capel fell 46p to 137p, Attock 8p to 216p and Premier 5½p to 64p.

Electricals were showing gains of a few pence at one stage after opening easier, but by the close most had slipped back to or below overnight levels. Thorn EMI, a strong market of late where stock has been in short supply, went against the trend with a 10p rise to 368p. Takeover hopes again stimulated Muirhead, which ended 8p higher at 146p, and Whitworth Electric was up 11p after hours at 32p following results.

GEC closed 6p lower at 484p, Racal was down 4p at 295p and Ferranti was down 5p at 412p. Plessey gave up 4p to 237p and Diploma 5p ahead of today's figures while Hoover continued downwards with a 5p fall to 120p.

Banks closed mixed with Barclays down 5p to 410p, Lloyds unchanged at 313p, Midland up 2p to 333p and Nat West 6p better at 381p.

Insurances were similar. Commercial Union slipped 1p to 167p and Pearl 8p to 410p. GRE, reporting on Wednesday, eased 2p to 326p but Sun Alliance climbed 5p to 749p.

Rush & Tomkins, an old takeover favourite, was a feature in properties with a 10p rise to 206p. Otherwise leading shares, taking their cue from gilts, went a few pence better. MEPC at 232p and Great Portland at 270p both added 2p and Land Securities rose 4p to 368p.

Courtaulds eased 3p to a new low of 59p in the wake of last week's announcement of further mill closures. Polly Peck attracted speculative demand, rising 10p to 111p. Results from Linfood left the shares 5p up at 159p.

Exciting times lie ahead for Minster Assets, the insurance group where Britannia Arrow recently increased its stake to 8.19 per cent. The group's interest in Quadrant 29 in the North Sea has attracted the attention of Shell and drilling is expected to start in the autumn with forecasts of 2m barrels already being made. The shares rose 4½p to 56p yesterday.

Ahead of today's results House of Fraser fell 3p to 136p while elsewhere in stores BHS eased 1p to 155p and Tesco 1p to 55½p. But J. Sainsbury added 4p to 471p on news of increasing market share.

RTZ fell 14p to 431p on suggestions that a rights issue is imminent.

Equity turnover for August 29 was £122.23m (number of bargains 14,724). Yesterday's most active stocks, according to Exchange Telegraph, were Minster Assets, Thorn EMI, Coral, ICI, Trusthouse Forte, Barclays, BP, Lasmo, Premier, Shell, RTZ, Allied Breweries, Blue Circle, Bowater and Dalgety.

Traded options were quiet with only 253 contracts traded by 11.30 am and a total of 497 by the close. Marks & Spencer's April 110s and Courtaulds' October 60s were most in demand with 55 and 52 contracts respectively. Traditional options were also quiet. Small puts were done in Milletts and De La Rue.

Latest results

Company Int or Fin	Sales £m	Profits £m	Earnings per share	Div pence	Pay date	Year's total
Claverhouse Invts (I)	—(—)	—(—)	—(—)	2.25(2.25)	29/9	—(—)
Elec & Indst Secs (I)	15.57(11.67)	1.05(0.90)	8.32(5.06)	1.07(1.07)	6/1	—(3.75)
I & J Hyman (I)	11.7(11.9)	0.64(0.96)	1.51(2.1)	0.41(0.41)	—	—(0.12)
Linfood (F)	951.0.631.0)	10.2(7.55)	23.1(18.0)	7.5(6.7)	29/10	11.0(9.75)
Scot Eastern Invst (I)	—(—)	3.1(2.5)	1.8(1.4)	1.5(1.15)	27/10	—(—)
Standrd Indst Grp (F)	9.2(7.5)	0.42(0.38)	8.5(6.9)	0.95(—)	—	1.83(—)
Wiggins Constrct (F)	30.4(2.4)	0.51*(0.53)	—(—)	0.95(—)	—	1.9(1.9)
Wilson Peck (F)	0.45(0.35)	—(—)	3.05*(2.86)	nil(nil)	—	—(—)
Whitworth Elec (F)	—(—)	0.61(0.40)	15.6(11.2)	1.31(—)	—	—(—)

Dividends in this table are shown net of tax on pence per share. Elsewhere in Business News dividends are shown on a gross basis. To establish gross multiply net dividend by 1.428. Profits are shown pretax and earnings are net. * = Loss.

Report on Westward TV finances completed

Accountants Price Waterhouse are now understood to have completed an interim report on the finances of Westward Television—three days before the warring factions of the company go into court.

Lord Harris, the present Westward chairman, said early last month and a fortnight after he led a boardroom coup that deposed Mr Peter Cadbury as head of the company, that the board wanted Price Waterhouse to "investigate and report on the company's financial management systems and practices".

It is unclear whether Lord Harris intends to use any of the Waterhouse findings as evidence during a court hearing on Thursday which could decide in effect who sits at the head of the company when it faces the public at a meeting on September 23. The meeting is part of the run-up to seeking a renewal of a franchise it has held for nearly 20 years.

In court, Mr Justice Dillon will be asked to decide whether an extraordinary meeting of shareholders should be held on September 10, a date sought by Mr Cadbury, or October 17, preferred by Lord Harris.

If the decision goes for September, then Mr Cadbury says he will use the 55 per cent of total shares he claims as support to vote out Lord Harris and thus allow Mr Cadbury to chair the public meeting.

However, Lord Harris and the board have already called on Mr and Mrs Peter Cadbury and other shareholders to agree not to use their voting shares on any resolution which might be put to shareholders regarding the composition of the board. The group's articles of association make provisions for the board to take this action if they consider that the actions of a shareholder would place the television franchise in jeopardy.

Mr Cadbury has always maintained that the October meeting has been a delaying tactic by the board. Lord Harris has said that the group's franchise could be jeopardized if Mr Cadbury were allowed back.

Additions to board at Pennine

By Michael Clark

A further move to strengthen its rapid diversification programme has been announced by the board of Pennine Commercial Holdings.

This includes the addition of three new board members, all with previous experience of Pennine's present operations. They are Mr R. C. Brockenbrow, Mr K. A. Jones and Mr T. Donnallan.

Mr Brockenbrow heads his own law practice while Mr Jones has been associated with the motor retail trade and Mr Donnallan has been connected with residential housing.

Last week Pennine issued a circular to all shareholders outlining the group's recent spate of acquisitions, most of which were paid for with the issue of further shares. The group issued over 9.7m shares which pushed up the group's capitalization from £454,000 to £2.8m.

Mr Brockenbrow said the appointments were made to strengthen the current board and help with the group's recent move into the property market.

Revitalization plans for First Talisman

By Catherine Gunn

First Talisman Investment, the unauthorized investment trust whose shares have been suspended since 1977, is trying to emerge from the shadows. Directors, including major shareholder and chairman Mr Edward du Cann, have been supporting the trust to the tune of £115,000 in interest-free loans for eight months, and would now like to see it stand on its own feet. They control 35.7 per cent of the shares, with Mr du Cann holding 12.8 per cent.

Merchant bank Setas Securities, which recently took on the task of putting the trust in order, has now licked the balance sheet into some sort of shape. It has also released the 1978 and 1979 figures.

"The company was effectively moribund in 1979", explained Mr Ronnie Monk of Setas yesterday. Pre-tax deficits in 1978 and 1979 were £48,000 and £38,000 respectively. If the directors' loans are ignored, there is a surplus of current assets to current liabilities, Mr Monk said.

Now he is looking, initially, for "one decent company" to slot into Talisman for £200,000-£300,000 to earn some revenue. The four remaining directors, Mr du Cann, Mr David Wilkins of BCA, Mr Owen Aisher of Marley, and Mr George Jackson, have agreed to underwrite in full a rights issue of up to £500,000 to pay for any acquisitions.

Mr Peter Rowland has resigned from the board and his shareholding has been shared out among the other four. First Talisman has "valuable" agreed capital losses of £850,000 and "useful" revenue losses of £120,000, so it will not have a tax liability for some time. That might, of course, make it an attractive shell for someone else.

Meanwhile, the shares remain suspended. "The Stock Exchange rules on shell companies are much tighter now," Mr Monk said yesterday, "so First Talisman may have to cancel its listing and come back under Rule 163". The shares were split from 25p to 5p nominal in 1977.

EIS hopes to top £2m after good first half

By Catherine Gunn

Electrical and Industrial Securities (EIS) hopes to repeat its first half profits and make £2.1m this year, against £1.8m in 1979. Group order books at the June 30 interim stage stood above £23m, representing about nine months' work. The group is looking for further business from its stand at the Farnborough Air Show this week.

Higher costs, notably fuel, have caused world demand for aircraft to shrink, but EIS's aircraft components subsidiary, C. F. Taylor, is weathering the change well. Demand for its aircraft galleys is affected, but it is filling the gap with components manufacturing. Margins have narrowed, however.

EIS's interim results to June 30 showed a 17.3 per cent pretax profit increase to £1.06m, on sales up a third to £15.6m. The interim dividend has been maintained at 1.53p gross. Any increase in the total payout will be agreed at the final stage.

EIS's Zwicky Engineering is ahead of its budgeted profits and turnover now that the Grantham expansion is complete. Order books for its jet engine components and its hydraulic valves for the agricultural machinery industry are better, and its exports are "usefully up". At engineering subsidiary Hick Hargreaves, the market is depressed, but "it is getting business".

Last year's sluggard in toughening conditions, Finch Watson, improved—largely because its third world customers found themselves better able to meet payments. It makes machinery for plastic footwear manufacture.

Mr Richard Reed, deputy chairman and chief executive, attributes most of the group's improved performance and expansion in difficult times to satisfactory wage settlements and manning agreements.

M L Meyer spends £600,000 'mopping up'

Montague L. Meyer, the London-based group of timber importers and distributors, has agreed to buy shareholdings in three companies for a total of \$1.42m (about £600,000) cash. Agreement has been reached with MacMillan Jardine—a Hongkong company jointly owned by MacMillan Bloedel of Canada and Jardine Matheson—to buy from M. J. their shareholdings in three companies jointly owned, being 40 per cent of MLM (Hongkong), 40 per cent of Canusa (Hardwood) and 60 per cent of MacMillan Jardine International.

The three companies are in the worldwide distribution of South East Asian timber products.

Year starts well for Hillards

Mr Gordon Hunter, the chairman of West Yorkshire-based Hillards, reports in his annual statement that the current year has started well, with turnover "much higher" than the same period last year. Increased turnover, new stores and improvements to equipment and organization, all provide good reasons for maintaining the opinion that Hillards can look forward to further growth, he says.

During the past 15 years the company has changed from a group of small shops into a chain of larger supermarkets and superstores. Growth in recent years has been very rapid—turnover rising from £11m in 1972, when Hillards became a public company, to £119m in 1980.

Over £1m pretax at Excalibur Jewellery

Although turnover of Excalibur Jewellery was virtually unchanged at £5.73m in the year to April 30, compared with £5.72m in the preceding 12 months, pretax profits were up from £882,000 to £1.05m. But, with a big rise in the tax charge from £170,000 to £566,000, earnings per share are down from 4.6p to 3p. The total dividend is being raised slightly, from 1.6p to 1.68p

Downturn at Hyman, but dividend held

By Michael Clark

A downturn in the automotive and furniture trades has meant a setback in growth at the interim stage for I. & J. Hyman, the plastic foam manufacturer and converter.

Pretax profits for the six months to June 28 fell from £968,000 to £642,000 on turnover reduced from £11.9m to £11.7m. As a result earnings a share fell from 2.1p to 1.51p.

However, the interim dividend of 0.59p gross has been maintained, although this failed to halt the share price which slipped 1p to 17p after the announcement.

A statement from Mr Peter Buckley, the chairman, said the company has continued to retain its share of a reduced market, but over capacity in the industry has inevitably resulted in narrowing of profit margins.

Nevertheless, every effort is being made, he added, to combat the problems by completing the group's rationalization programme and maintaining its drive into new markets at home and abroad. The results of these measures are likely to be reflected in the group's final quarter which traditionally is strong.

The group's rationalization polity includes boosting capacity, curently running at only 50 per cent, by moving production lines to several of its larger factories. This has meant the closure of two factories with the loss of about 60 jobs.

Briefly

Standard Indust Grp: Sales to August 30 £9.2m (£7.5m). Pretax profit £429,700 (£387,400). Earnings per share 8.57p (6.94p). Final dividend is 1.35p gross making 2.64p gross.

BBA Group: In our report on the first half figures from BBA Group on Saturday we gave the impression that Mr Michael Pearson, the chairman, was optimistic about the future. In fact, Mr Pearson said trading in the second half remains disappointing and, though the group is pursuing cost-cutting measures, group profits will continue to be depressed while the current economic recession, which is particularly marked in the motor indusry, continues.

Renold: Manesty Machines, subsidiary of Renold, has acquired majority shareholding in Howard Brown Engineers small company at Prescot, near Liverpool. Howard Brown is engaged in process plant design and manufacture, specializing in powder handling systems for food and confectionery industries.

Scottish Eastern Investment Trust: Pretax revenue for half year to July 31 £3.1m (£2.5m). Earn-Earnings per share 1.89p (1.46p). Interim dividend 2.142p gross (1.6p gross).

Apex properties: Turnover for year to March 31 £1.0m (£990,100). Pretax profit £591,000 (£528,000). Earnings per share 3.29p (2.35p). Final dividend is 1.85p gross making 2.856p gross (2.28p gross).

Nolton: Agreement reached for company's disposal of interest in Nolton Money Brokers to Tullett and Riley International for £240,000. Net tangible assets being disposed of as at April 30 amounted to £12,897 and net annual profits £11,252.

Wiggins Construction: Turnover for year to March 31 £30.4m (£22.4m). Pre-tax loss was £519,000 (profit £533,000). Final dividend is 1.35p gross making 2.7p gross (same). Loss is due to substantial provision that has been made in respect of a contract for construction of 735 dwellings and community buildings at the Kursal site at Southend-on-Sea.

GT Asia (Sterling) Fund: Net income for period October 10, 1979, to June 25, 1980, £51,000. Net assets at offer valuation equivalent £11.3m. At June 25 46.7 per cent of issued units in GT Asia fund were held.

Poor start at South Crofty

Mr Malcolm Stone, chairman of South Crofty, says in his annual statement that the year has begun badly. In view of the continuing poor performance the board felt that immediate action was necessary and remedial steps have been taken.

Under the leadership of Dr Paul Mihalop, managing director, and with a continuation of a resposible attitude by the workforce and with a maintained tin price, the board is hopeful that profitability of the mining operation will be restored, he says.

Although the mining operations give short-term concern, the board is aware of other assets owned by the company that can be developed beyond their present level of usage.

The accounts show a contract termination payment to a former director of £30,000 and ex gratia payments to former directors of £14,000.

Bank Base Rates

ABN Bank	16%
Barclays	16%
BCCI	16%
Consolidated Crdts	16%
C. Hoare & Co	*16%
Lloyds Bank	16%
London Mercantile	17%
Midland Bank	16%
Nat Westminster	16%
Rossminster	16%
TSB	16%
Williams and Glyn's	16%

* 7 day deposit on sums of £10,000 and under 14%, up to £25,000 14¼%, over £25,000 14½%.

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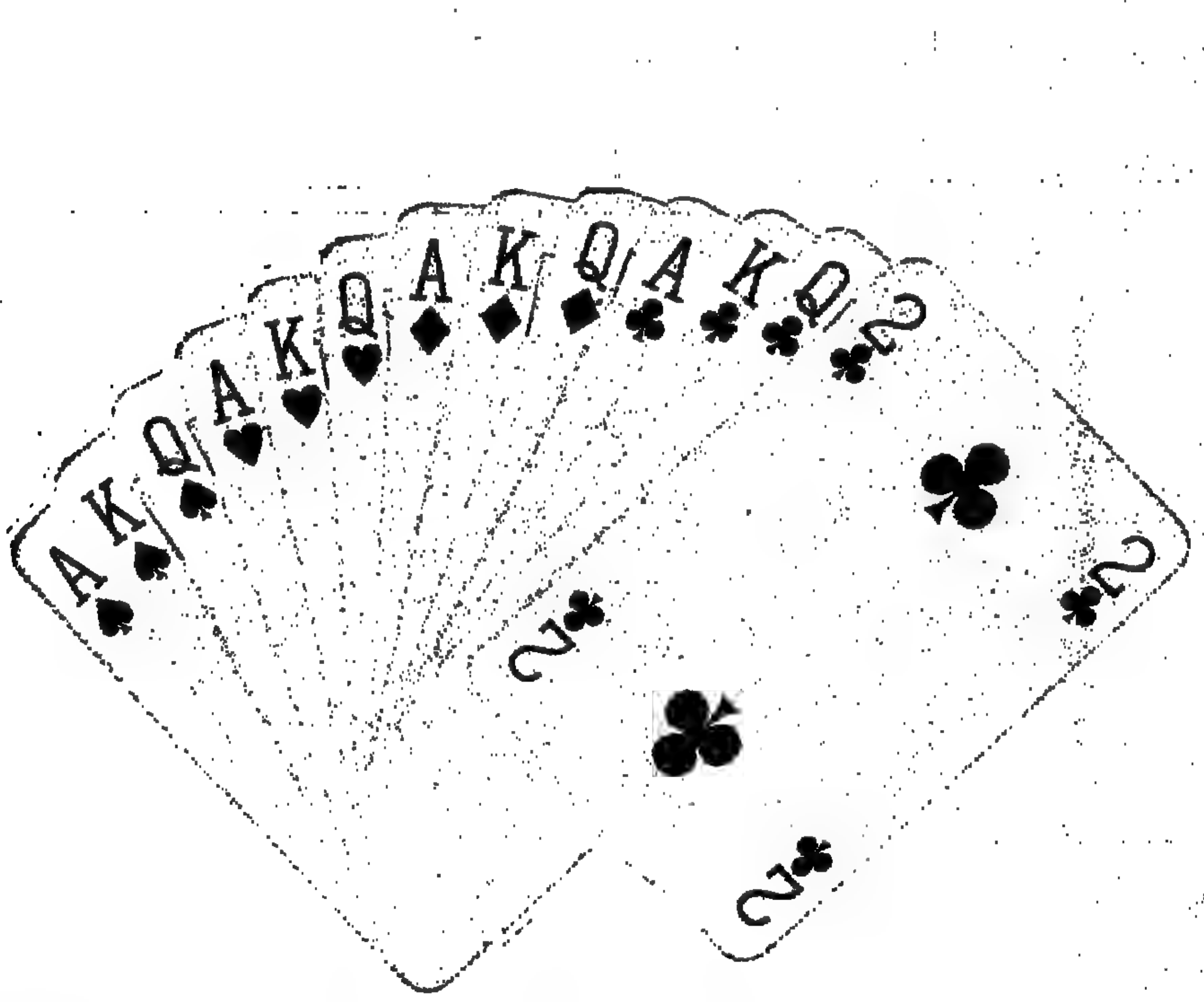
The Over-the-Counter Market

1979-80 High	Low	Company	Price	Ch'ge	Gross Div(p)	Yld %	P/E
99	52	Airsprung Group	52	—	6.7	12.9	*3.1
50	21	Armitage & Rhodes	21	—	3.8	18.1	*1.4
170	92½	Bardon Hill	170	—	9.7	5.7	*6.4
100	74	County Cars Pref	74	—	15.3	20.7	—
101	63	Deborah Ord	98	—	5.5	5.6	*4.8
125	88	Frank Horsell	125	—	7.9	6.3	*3.9
129	68	Frederick Parker	68	—	11.0	16.2	*3.1
156	88	George Blair	88	—	16.5	18.7	*—
84	45	Jackson Group	82	—	6.0	7.3	*3.1
153	103	James Burrough	120	—	7.9	6.6	9.8
305	242	Robert Jenkins	305	—	31.3	10.2	*—
232	175	Torday Limited	220	—	15.1	6.9	*3.7
34	10	Twinlock Ord	12¼	—	—	—	*—
90	70	Twinlock 15% ULS	85	—	15.0	17.6	*—
56	23	Unilock Holdings	47	—	3.0	6.4	*7.2
100	42	Walter Alexander	100	—	5.7	5.7	*5.5
245	136	W. S. Yeates	245	—	12.1	4.9	*4.0

*Accounts prepared under provision of SSAP15.



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Our major markets are Europe, North America and Australia, but you will also find us in growth areas throughout the world—places where our operations may be small today but where the potential for expansion is great.

Over the last ten years our earnings have grown at an average rate of 24% a year compound. Inflation distorts all growth statistics, but that's still 8% a year in constant pounds.

Last year, despite difficult conditions in some of our markets, profits before tax were up 27% to £57million.

If you would like to know more about Redland, just write for a copy of our Annual Report and Accounts to: The Secretary, Redland Limited, Redland House, Reigate, Surrey RH2 0SJ.

Redland

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FINANCIAL NEWS AND MARKET REPORTS

Commodities

COPPER was steady, but quiet.—Afternoon.—Cash wire bars, £825-826 a metric ton; three months, £842-842.50. Sales, 3,150. Cash cathodes, £796-797; three months, £817.50-818.50. Sales, 325 tons. Morning.—Cash wire bars, £825-825.50; three months, £841.50-842.00. Settlement, £825.00. Sales, 6,700 tons. Cash cathodes, £795-796; three months, £817.50-818. Settlement, £796.00. Sales, 1,425 tons.

TIN was steady.—Afternoon.—Standard cash, £7,105-7,115 a tonne; three months, £7,100-7,110. Sales, 345 tonnes. High grade, cash, £7,105-7,115; three months, £7,110-7,125. Sales, nil tonnes. Morning.—Standard cash, £7,110-7,115; three months, £7,100-7,110. Settlement, £7,115. Sales, 295 tonnes. High grade, cash, £7,110-7,115; three months, £7,110-7,125. Settlement, £7,116. Sales, 40 tonnes. Singapore tin closed (National Day holiday in Malaysia).

LEAD was barely steady, but quiet.—Afternoon.—Cash, £352-353.00 per tonne; three months, £366-366.50. Sales, 850 tonnes. Morning.—Cash, £353-353.50; three months, £367.50-368. Settlement, £353.50. Sales, 4,250 tonnes.

ZINC was barely steady, but quiet.—Afternoon.—Cash, £313-314.00 per tonne; three months, £324-325.00. Sales, 900 tonnes. Morning.—Cash, £316-317.00; three months, £326.50-327.00. Settlement, £317.00. Sales, 5,025 tonnes.

PLATINUM was at £268.75 ($646.60) a troy ounce.

SILVER was steady, but quiet.—Bullion market (fixing levels).—Spot, 665.70p per troy ounce (United States cents equivalent, 1,599.00); three months, 691.90p (1,643.10c); six months, 718.00p (1,694.10c); one year, 765.00p (1,791.20c). London Metal Exchange.—Afternoon.—Cash, 666-667.5p; three months, 694.3-694.5p. Sales, 24 lots of 10,000 troy ounces each. Morning.—Cash, 669-670.0p; three months, 696-697p. Settlement, 670.0p. Sales, 103 lots.

ALUMINIUM was barely steady.—Afternoon.—Cash, £696-699.00 per tonne; three months, £701-702.00. Sales, 1,600 tonnes. Morning.—Cash, £700-701.00; three months, £703-704. Settlement, £701.00. Sales, 2,250 tonnes.

NICKEL was quiet.—Afternoon.—Cash, £2,570-2,680 per tonne; three months £2,695-2,700. Sales, 84 tonnes. Morning.—Cash, £2,655-2,665; three months, £2,690-2,700. Settlement, £2,665. Sales, 576 tonnes.

RUBBER was uncertain yesterday (pence per kilo): Oct, 65.10-65.40; Nov, 66.50-66.00; Oct-Dec, 65.80-66.00; Jan-March, 69.70-69.80; April-June, 72.60-72.70; July-Sept, 75.50-75.60; Oct-Dec, 78.00-78.10; Jan-March, 80.60-80.70; April-June, 85.20-85.40. Sales: 276 at 15 tonnes.

RUBBER PHYSICALS were easier.—Spot: 64.25-65.25. Cifs: Oct, 65.00-66.00; Nov, 66.00-67.00.

COFFEE.—ROBUSTAS (£ per tonne): Sept, 1,030-35; Nov, 1,075-76; Jan, 1,125-24; March, 1,158-60; May, 1,168-70; July, 1,190-95; Sept, 1,200-30. Sales: 4,360 lots including four options.

ARABICA (officials at 16.45): Oct, 137.00-55.00; Dec, 137.00-57.00; Feb, 135.00-70.00; April, 135.00-70.00; June, 135.00-70.00; Aug, 135.00-70.00; Oct, 135.00-70.00. Sales: nil.

COCOA was quiet (£ per metric ton).—Sept, 935-36; Dec, 977-78; March, 1,019-20; May, 1,041-42; July, 1,062-65; Sept, 1,084-88; Dec, 1,107-13. Sales: 2,414 lots.

SUGAR.—The London daily price of "raws" was £7.00 higher at £317; the "whites" price was £2.00 higher at £314. Futures (£ per tonne): New contract (steady): Oct, 333.00-33.50; Jan, 345.50-46.00; March, 352.25-52.50; May, 351.50-51.50; Aug, 347.00-50.00; Oct, 321.50-22.50; Jan, 301.00-02.50. Sales: 3,957 lots. Old contract (quiet): Oct, 338.50-41.00. Sales: 98 lots. ISA prices (Aug 29): daily, 31.23c; 15-day average, 31.83c.

SOYABEAN MEAL was quiet (£ per tonne): Oct, 118.70-120.00; Dec, 124.30-124.30; Feb, 126.30-126.60; April, 127.00-128.00; June, 127.50-129.50; Aug, 127.50-131.00; Oct, 129.00-132.00. Sales: 135 lots.

WOOL.—NZ Crossbreds No 2 contract, cents per kilo (quiet): Oct, 362-367; Dec, 360-372; Jan, 373-375; March, 373-376; May, 374-378; Aug, 374-377; Oct, 375-379; Dec, 376-379; Jan, 375-379; March, 377-381. Sales: six lots.

GRAIN (The Baltic).—WHEAT.—Canadian western red spring, unquoted. US dark northern spring, No 2, 14 per cent: Sept, £95.75; Oct, £96.45; Nov, £100; Dec, £101.30 trans-shipment east coast. US hard winter, 13½ per cent: Sept, £98.30; Oct, £99.50; Nov, £100.75; Dec, £102.25 trans-shipment east coast. EEC and English feed fob, both unquoted.

MAIZE.—French: Sept, £124 trans-shipment east coast. S. African white, unquoted. S. African yellow: Sept-Oct, £90.00.

BARLEY.—English feed fob: Oct, £96 east coast; Sept, £92.50 paid east coast. All per tonne cif UK unless stated.

London Grain Futures Market (Gafta). EEC origin.—BARLEY was steady.—Sept, £91.10; Nov, £94.80; Jan, £98.80; March, £102.30; May, £105.80. Sales, 311 lots. WHEAT was firm.—Sept, £97.10; Nov, £100.65; Jan, £104.70; March, £108.20; May, £111.75; July, £115.15. Sales, 308 lots.

Home-Grown Cereals Authority.—Location ex-farm spot prices:

	Other milling WHEAT	Feed WHEAT	Feed BARLEY
Eastern	—	£95.50	£88.00
E Midlands	£95.80	£92.50	£86.61
N East	£99.20	£94.00	£88.30
Scotland	—	—	£95.80

MEAT COMMISSION: Average fatstock prices at representative markets on Sept 1: GB: Cattle, 74.00p per kg lw (−0.08). UK: Sheep, 114.53p per kg est dcw (+7.05). GB: Pigs, 64.95p per kg lw (−1.24). England and Wales: Cattle numbers up 287.0 per cent, average price 74.70p (−1.47). Sheep numbers up 200.0 per cent, average price, 116.81p (+5.85). Pig numbers up 119.8 per cent, average price, 64.89p (−1.19). Scotland: Cattle numbers down 1.6 per cent, average price, 70.84p (−0.89). Sheep numbers up 9.2 per cent, average price 108.34p (+7.37). Pig numbers up 16.8 per cent, average price, 68.94p (−3.00).

POTATOES (Gafta).—Nov, £40.10; Feb, £47.80; April, £54.90. Sales: 40 lots (of 40 tonnes each).

TEA.—The London Tea Market continued rather weak, particularly for dusts and plain varieties, dealers said yesterday.

The few new season Assams met fair demand, but sold below valuations.

Brighter medium East Africans and CTCS were quite well received at steady rates, but others lost 46p per kilo, including the best. Plainer Central African types met restricted demand and shed 6p to 10p per kilo. There were many withdrawals and dusts were difficult of sale throughout.

There was only a limited demand for Ceylons, which by the close were 4p to 8p per kilo lower where sold. Plainest sorts and dusts were unwanted.

South Indian followed a similar pattern and declined by 5p to 8p per kilo. The highest price this week was 146p for a BOP from Sri Lanka, while sales during the week totalled 50,431 packages.—Reuter.

Brazilian coffee shipments

Hamburg, Sept 1.—Brazilian coffee shipments could total about 15.3m bags this year after exports in the first eight months of about 9.7m bags, the coffee trading house of Bernhard Rothfos said. It estimated that September exports could exceed 1.2m bags, with October and November shipments at about 1.2m bags and December at about 1m bags.

LME metal stocks

Stocks in London Metal Exchange official warehouses at the end of last week (all in tonnes except silver, which is in troy ounces): Copper rose 1,000 to 119,625; Tin rose 740 to 3,485; Lead rose 3,200 to 52,475; Zinc rose 150 to 60,125; Aluminium rose 3,300 to 16,125; Nickel fell 114 to 5,304; Silver fell 1,170,000 to 26,000,000.

Discount market

Giving help on an extremely large scale yesterday, the Bank of England bought small quantities of Treasury bills from banks and discount houses, a small amount of local authority bills from houses, arranged a large purchase and resale agreement in commercial bills to be unwound at a future date and lent a moderate sum to four or five discount houses at MLR until Wednesday. In tight conditions that persisted for most of the session, rates for secured funds did not budge from 16 per cent until towards the close. Even then, books were rarely ruled off any more cheaply than 15½ per cent, though an isolated instance of 14½ per cent was heard.

Money Market Rates

Bank of England Minimum Lending Rate 16%
(Last changed 3/7/80)
Clearing Banks Base Rate 16%
Discount Mkt Loans %
Overnight: High 16 Low 15½
Week Fixed 16-15¾

Treasury Bills (Dis%)

Buying		Selling	
2 months	15	2 months	15⅝
3 months	15¼	3 months	15

Prime Bank Bills (Dis%) Trades (Dis%)

Local Authority Bonds

Secondary Mkt. CD Rates (%)

Local Authority Market (%)

Interbank Market (%)

First Class Finance Houses (Mkt. Rate %)

Foreign exchange report

Sterling traded at its highest level since April, 1975, attaining a peak of $2.4140 at one stage yesterday afternoon, but slipping back on some light profit-taking to $2.4060, but at this position still showing a gain of 95 points compared with Friday's close of $2.3965.

The pound had a very good day also at the expense of other major currencies, with its trade-weighted index finishing at a record of 76.5, against 76.2 at the previous closing calculation.

Dealers said business was rather limited because of the Labour Day holiday across the Atlantic, but a fairly sustained Continental support continued to reflect the pound's "petro-currency" status—and the very high interest rate structure prevailing in the United Kingdom. Dealers did not believe that the Bank of England had applied any brake during yesterday's session and there was very little indication of much central bank support elsewhere.

The dollar closed off the bottom, after being undermined initially by higher United States money-supply statistics with the D-mark, 1.7880 (1.7950), Swiss franc, 1.6445 (1.6505) and the French franc, 4.1525 (4.1725), all making useful gains.

Sterling Spot and Forward

EMS European Currency Rates

Sterling: Other Markets

Dollar Spot Rates

Recent Issues

	Closing Price
Baker Elect 10p Ord (80)	110
Brint Inv	[illegible]
Charterhouse Petroleum 5p	76-2
Energy Capital 12½p Ord (38)	78
Exchequer 3% 1983 'A'	[illegible]
Exchequer 13¾% 1985	[illegible]
Golaas-Larsen Cmm Shs	300
Marines Pet 10p Ord (100)	231-2
Rolfe and Nolan 10p Ord	70
S.P.G. Minerals 10p Ord (60)	93
Shackleton Petrol (8)	58½
Sunderland 8% Var 9½% Rd 1986	£101
Treasury 12¾% 'A' 1991	£44⅛
Treasury 13% 2000	100½
Treasury 12% 1987	£40⅛

RIGHTS ISSUES	Latest date of renun.	
Davidson (12)	Sep 12	18½ prem
Mercantile Hse (220)		78 prem
Polly Peck (75)	Sep 20	22 prem
Spencer Gears (12)		¾ prem

Issue price in parentheses. * Ex dividend. † Issued by tender. ‖ Nil paid. a £10 paid. b £75 paid. c £20 paid. ‡ Fully paid. g £50 paid. h £70 paid. i £40 paid.

Gold

Gold fixed am, $638.25 (an ounce); pm, $638.50 close, $637.5.

Krugerrand (per coin): $648-650 (£268-269.50).

Sovereigns (new): $159-161 (£66-67).

Euro-$ Deposits

Wilson Peck: Turnover for year to March 31 £454,700 (£353,600). Loss £33,270 (profit £85,084). Loss per share 3.05p (2.86p). No dividend (same).

Whitworth Electric Hldgs: Pretax profit year to March 31, £613,800 (£406,300). Earnings per share 15.6p (11.2p). Dividend 1.87p gross.

Matsushita to issue 60m shares

International

Matsushita Electric Industrial Company said yesterday its board of directors had resolved to issue in Japan 60 million shares of registered par value common stock. The proceeds are to be used for investment in additional plant and equipment. The company said the issue would be the largest public issue of common stock in the history of Japanese industrial corporations.

The closing date for the issue has been set for November 10. The issue price will be announced later.

At the same time, Matsushita announced that it would effect another capital increase by a free distribution of shares to stockholders of record on November 20 at the rate of one share for each 10 shares held.

The aggregate value of the free distribution (at par of 50 yen) is to be transferred from the company capital surplus account to its capital stock account, effective November 21. The exact number of shares is to equal 10 per cent of the total shares outstanding at 3 pm on November 20.

Matsushita Electric is Japan's largest manufacturer of consumer electric and electronic products. The company's stock is traded outside Japan on the Amsterdam, Dusseldorf, Frankfurt, Hongkong, New York, Pacific and Paris stock exchanges. Its products are marketed around the world under the "National", "Panasonic", "Quasar" and "Technics" brand names.

Fuel costs trim interim results at Lufthansa

Lufthansa, the West German airline, said yesterday that gross transport revenues were 19.8 per cent higher at DM2,650m (£628m) in the first half compared with the year-ago period, but added that spending also rose by almost 20 per cent, largely because of higher fuel costs.

In an interim report to shareholders, the airline said that demand over the rest of the year would be crucial for the full year's results.

Lufthansa made no forecast for the full year, but said they would be strongly affected by steadily rising fuel costs and by the unsatisfactory charter business of subsidiary Condor Flugdienst in the first half.

The airline said it carried 6.81m passengers in the first half, a 2.9 per cent increase on the same 1979 period, and 198,430 tonnes of freight, a 1.3 per cent increase. Aircraft seats were 57.7 per cent filled, down from 60.9 per cent a year earlier.

Loss at Hudson's Bay

Hudson's Bay Company of Toronto yesterday announced a loss, before extraordinary items, of C$9.2m (£3.3m) for the half year to July 31, compared with earnings of C$7m in the first half of 1979.

Extraordinary gains in the first half of 1980 were C$11.3m, compared with C$8.1m in 1979. The gains in both years arose from the exchange of Hudson's Bay Company exchangeable debentures for shares of Hudson's Bay Oil and Gas Company.

Sales and revenue in the first half were C$1,586m, an increase of 8.6 per cent from C$1,461m in the first half of 1979.

Tighter margins, high interest rates and softening consumer demand all contributed to the downturn, the company said.

Bonus issue for Boral

Building products group Boral said in Sydney it will make a one-for-five bonus issue of ordinary shares which will rank for the earlier announced final 1979-80 dividend.

Boral earned record net profits of A$35.1m (£17.5m) for the year to June 30 against A$28.2m.

The company said good returns from most Australian operations and from its US activities contributed to the record profit.

Boral said the present year has opened well for the group and results to date are ahead of those in the previous year.

Barclays International

Barclays Bank International said it intends to set up a locally incorporated subsidiary to conduct its operations in Zimbabwe.

The new company, Barclays Bank of Zimbabwe, will be a wholly owned subsidiary, but Barclays said it intends eventually to offer participation to the public, with the agreement of the authorities concerned.

ANI issue

The directors of Australian National Industries have announced a convertible note issue designed to raise $A40m (£20m) of long-term money for the company.

The company will have the right to accept oversubscriptions of $A4m.

The convertible notes will be issued with a par value of $A3.10 per note, and will be convertible into ANI shares on a one-for-one basis.

The notes will carry an interest rate of 11 per cent a year and will be redeemable on April 30, 1991, if they have not been converted into ordinary shares by July 31, 1990.

Arbuthnot Latham

Arbuthnot Latham and Philadelphia International Investment Corporation (PIIC) said yesterday that agreement had been reached to increase the share capital of Arbuthnot Latham Asia to $6.5m (Singapore) through the subscription by PIIC of new shares.

The shareholding of PIIC, a wholly owned subsidiary of the Philadelphia National Bank, will increase from 21.6 per cent to 40 per cent. Arbuthnot Latham's holding will fall from 78.4 per cent to 60 per cent.

Authorized Units, Insurance & Offshore Funds

Authorized Unit Trusts

Offshore and International Funds

Stock Exchange Prices

Gilts rally gently

ACCOUNT DAYS: Dealings Began, Sept 1. Dealings End, Sept 12. § Contango Day, Sept 15. Settlement Day, Sept 22

§ Forward bargains are permitted on two previous days

BRITISH FUNDS

1979/80 High	Low	Stock		Price	Ch'ge	Int. only Yield	Gross Red. Yield
SHORTS							
[illegible]							
MEDIUMS							
[illegible]							
LONGS							
[illegible]							

COMMONWEALTH AND FOREIGN

[illegible]

LOCAL AUTHORITIES

[illegible]

DOLLAR STOCKS

[illegible]

BANKS AND DISCOUNTS

[illegible]

BREWERIES AND DISTILLERIES

[illegible]

COMMERCIAL AND INDUSTRIAL

A — B

1979/80 High	Low	Company	Price	Ch'ge	Gross Div pence	Yld %	P/E
190	[illegible]	AAH	160	• −2	12.1	7.6	5.9
250	130	AB Electronic	134	−1	10.7	5.8	..
213	75	AGB Research	195	• −6	8.6	4.4	16.0
70	[illegible]	AI Ind Prod	15	+2	..	..	..
243	141	APV Hldgs	195	+2	12.0	6.2	4.5
91	53	Aaronson Bros	59	..	6.0	10.2	5.3
137	56	Acrow	57	..	4.3	7.5	17.5
95	30	Do A	34	..	4.3	12.6	10.5
219	143	Adwest Group	176	+1	9.9	5.6	6.9
[illegible]	103	Aeron't & Gen	[illegible]	+5	5.0	1.1	15.1
[illegible]	[illegible]	Aero Needles	21	..	..	..	3.4
49	10	Airfix Ind	10½	−½	5.2	49.8	1.7
925	400	Akzo	473	+15	54.2	11.4	..
111	71	Alcan Alum UK	72	..	9.4	13.1	6.4
91	72½	Do 10½%	£80	..	1050	13.1	..
52	30	Allen W. G.	32	• −2	4.4	13.9	2.4
154	69	Allied Colloids	103	• +1	3.6	3.5	16.0
39	20	Allied Plant	34	−½	2.3	6.6	4.1
133	47	Alpine Hldgs	47	..	7.5	16.0	3.1
375	227	Amal Metal	231	..	20.0	8.7	6.4
146	61	Amal Power	61	−2	8.8	14.4	13.5
34	23½	Amber Day	25½	+½	4.1	16.0	2.4
44	22	Amber Ind Hldgs	37	..	7.1	19.3	5.1
123	82	Amstrad	95	..	6.7	7.1	7.3
98	62	Anchor Chem	86	..	7.6	8.8	4.6
108½	47½	Anderson Strath	103½	−1½	[illegible]	5.5	9.0
99	53½	Anglia TV 'A'	94	..	5.7	6.8	7.7
[illegible]							

C — E

[illegible]

F — H

[illegible]

I — L

[illegible]

M — N

[illegible]

O — S

[illegible]

T — Z

[illegible]

FINANCIAL TRUSTS

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

[illegible]

SHIPPING

[illegible]

MINES

[illegible]

OIL

[illegible]

PROPERTY

[illegible]

RUBBER

[illegible]

TEA

[illegible]

MISCELLANEOUS

[illegible]

• Ex dividend. a Ex all. [illegible]

هكذا من الأصل

هكذا من الاصل

PERSONAL CHOICE

Susan King, seen here with one of Captain Mark Phillips's horses, interviews HRH Princess Anne in Stopwatch (BBC 1 5.10).

● Altogether there are eight new series making their debut tonight on the three networks. Whether this is by accident or design I'm sure it warrants Mr McWhirter looking into his famous record book to see if it might be worthy of a mention. One of them making a welcome return is BBC 1's Wildlife on One (8.35 pm) which tonight features the reptile that seems to smile and cry at the same time—the crocodile. We meet Tony Pooley who has, for about the past quarter of a century, been studying these descendants of the dinosaur in a large enclosure in Zululand. He keeps 17 of these creatures in this compound, each one having been captured after eating livestock or attacking humans, and the progeny they produce he returns to the wild. From his studies of these reptiles he has discovered that, contrary to the popular view, they do not eat their young but carry them in their jaws from the nest until they are ready to take to the water by themselves. Superb camera work by Rodney Borland makes this an absorbing programme.

● For those whose penchant is not for the descendants of prehistoric monsters but for mysteries of the Universe tonight sees the first of the 13-part Arthur C. Clarke's Mysterious World (ITV 8.30). Best known as the author of 2001 : A Space Odyssey, Arthur C. Clarke explores some of the mysteries that have baffled mankind through the ages. He has categorized them into three sections. The first, mysteries that have bemused our predecessors but have now been solved, secondly phenomena that have given tantalizing clues to their explanation, and thirdly those mysteries of which we haven't the slightest idea of how they happened. Mr Clarke will be concentrating on the second category for most of the series.

● The problem of young alcoholics is the subject of Dying for a Drink (Radio 4, 4.10) and it concentrates on the story of a 23-year-old girl now recovering from alcoholism. We hear from Sir George Young, the Minister with special responsibility for combating alcoholism, and others whose work brings them into daily contact with people who have a drink problem. They give guidance to parents who think that their son or daughter may be drinking too much alcohol.

WHAT THE SYMBOLS MEAN : †STEREO ; *BLACK AND WHITE ; (r) REPEAT.

Broadcasting Guide

Edited by Peter Dear

TELEVISION

BBC 1

6.40 am Open University : The Universe Today. 7.05 The Earth's History. 7.30 Patterning of the Vote. Closedown at 7.55.
10.55 Cricket : The Centenary Test. Live coverage of the final day's play in the match between England and Australia. The programme is introduced by Peter West and the commentators are Richie Benaud, Ted Dexter, Tom Graveney, Jim Laker and Mike Smith. Further live action can be seen on this channel at 2.00 and on BBC 2 at 1.35 and 3.55. Recorded highlights of the day's play are shown at 11.30 on BBC 2. Closedown at 1.05 pm.
1.30 Trumpton (r).
1.45 News.
2.00 Cricket. Further coverage from Lord's. 3.45 Closedown.
4.15 Play School. (First shown on BBC 2 this morning.) **4.40 Battle of the Planets.** Science fiction adventure series. Today, The Fiery Lava Giant. **5.00** John Craven's Newsround. **5.10** Stopwatch. Susan King talks to HRH Princess Anne about eventing and meets her new horse Stevie B. Nigel Starmer-Smith travels to Liverpool FC to find out how a boy can get a start in professional football, meets manager Bob Paisley and player David Fairclough. **5.35 Paddington** (r).
5.40 News read by Jan Leeming.
5.55 Nationwide. Apart from the usual regional news we will be seeing the first of five film reports on the work of vets at the London Zoo.
6.45 Film : Up Periscope (1959) starring James Garner and Edmond O'Brien. James Garner plays Lt Ken Braden, an expert frogman, on a hazardous mission during World War Two.
8.35 Wildlife on One : Gently Smiling Jaws narrated by David Attenborough. The first in a welcome new series looks at the life and habitat of the Nile crocodile. (See Personal Choice).
9.00 News with Peter Woods.
9.25 Play : Fair Stood the Wind for France. H. E. Bates's novel has been dramatized in four parts by Julian Bond and stars David Beames as the pilot of a Lancaster bomber that crashes in France in 1942. Cecile Paoli is the young French country girl who nurses him back to health and falls in love with him.
10.20 The Miracle Workers : Germany and the Germans. James Hogg investigates the people of Germany who have built, since the end of the war, a prosperous society. This, the first of four programmes, is entitled They Sincerely Wanted to be Rich.
10.50 Invitation to the Dance. Rudolph Nureyev dances in the first of a series of six short ballets. Tonight's performance is Aureole, with choreography by Paul Taylor to the music of Handel's Concerti Grossi.
11.15 News headlines.
11.17 Barry Manilow. The second of two concerts by the popular American singer with the melodious voice recorded at the Royal Albert Hall. His guests are Lady Flash and the City Rhythm Band (r).
12.05 am Weather.

Regions

BBC 1 VARIATIONS: BBC Cymru/Wales: 1.30-1.45 pm Heads and Tails. 5.10-5.40 Yr Awr Fawr. 5.55-6.20 Wales Today. 6.45-7.10 Heddiw. 7.10-7.20 Tom and Jerry. 7.20-7.45 Gair i Gall. 7.45-8.35 The High Chaparral. 12.05 am News for Wales. Close. Scotland: 1.25-1.30 pm Scottish News. 5.55-6.20 Reporting Scotland. 12.05 am News for Scotland. Close. Northern Ireland: 4.13-4.15 pm Northern Ireland News. 5.55-6.20 Scene Around Six. 12.05 am News for Northern Ireland. Close. England: 5.55-6.20 pm Regional magazines. 12.10 am Close.

BBC 2

6.40 am Open University : The Ravidasis in Birmingham. 7.05 Jackson Pollock. 7.30 The Other Tradition. Closedown at 7.55.
9.30 Trades Union Congress 1980 : Coverage of the debates on the second day of the conference by Vincent Hanna and Lord Scanlon.
11.00 Play School : *Sheelagh Gilbey and Stuart McGuzan are the presenters and the story is Door to Door.*
11.25 Trades Union Congress. Further coverage from Brighton. Closedown at 12.45 pm.
1.35 Cricket : The Centenary Test : Live coverage from Lord's on the final afternoon of the match.
2.15 Trades Union Congress.
3.55 Cricket : The final two hours of the Centenary Test live from Lord's.
6.05 Open University : Home from Home. 6.30 Field Geology Arran.
6.55 Cartoon Two : Dutch offering depicting a young child growing up set to the music of Clementine. (r)
7.05 News including sub-titles for the hard-of-hearing.
7.15 Steel Strike : A BBC-TV News Special. Compiled by Gordon Carr, the programme investigates the background to the long and bitter dispute which occurred earlier this year.
8.05 My Music : Steve Race asks the musical questions and two teams, comprising John Amis, Frank Muir, Ian Wallace and Denis Norden, try their best to answer them.
8.30 Top Gear : Gnomic Noel Edmonds introduces the first of seven programmes made with the motorist in mind. Tonight we have a chance to look into the future and see what advances will be made over the next ten years. The roving reporter for the series is the Observer's motoring editor, Frank Page.
9.00 The Six Wives of Henry VIII : Rosalie Crutchley stars as Catherine Parr, the last of the wives. The year is 1543 and Henry is an old and sick man. He marries 31 year-old Catherine who is thought by Bishop Gardiner to be the devil on earth and the influence that the Bishop has over the King causes Catherine to be interrogated under suspicion of heresy.
10.30 Free and Easy : A look at the cross-country ski-race held annually in Wisconsin in which 2,000 people take part. (r)
10.45 Newsnight : John Tusa and Vincent Hanna report from Brighton on the Trades Union Congress while Peter Snow and Charles Wheeler deliver and comment on news from the rest of country and abroad.
11.30 Cricket : The Centenary Test. Richie Benaud introduces highlights of the final day's play at Lord's in the match between England and Australia. Programme ends at 12.05 am.

THAMES

9.30 am I am Fijian. A look at the independent nation of Fiji. **10.00 A Big Country.** Boys who leave school at the first opportunity in Australia tend to land jobs on the railway. We have a glimpse of what awaits them. **10.25 World Famous Fairy Tales.** Today we hear the story of The Ugly Duckling. **10.40 Young Ramsay.** Adventures of an Antipodean animal doctor (r). **11.30 The White Stone.** A story in thirteen parts about a beautiful white stone that belongs to a girl called Fia. In this first episode it is eyed jealously by the boy who lives next door. **11.55 Mr Magoo.** More cartoon capers featuring the crusty, myopic character. **12.00 Paperplay** (r). **12.30 pm Pipkins** (r). **12.30 The Sullivans.** The story of an Australian family living in Melbourne during World War Two.
1.00 News. 1.20 Thames News.
1.30 Crown Court. Continuing the trial of the successful Asian businessman accused of murdering his nephew, an illegal immigrant (r).
2.00 Here Today. Diana Dors is the guest today in this magazine programme for women.
2.25 Film : A Hill in Korea* (1956). An all male British cast led by George Baker portrays a platoon of National Service soldiers cut off from their base by the Chinese. There is only one place for them to fall back to—a deserted temple perched on top of a mountain. Look out for the screen debut of Michael Caine, he plays Private Lockyer.
3.45 Food, Wine and Friends. Robert Carrier demonstrates the preparation of different appetizers with the help of friend Liv Ullmann (r). **4.15 The Sooty Show.** The puppets guest today is magician Billy McComb (r). **4.45 The Square Leopard.** Young solicitor Gerald Parish is suspected of stealing jewelry, when in fact he was only taking it back to the shop from where it was stolen.
5.15 Emmerdale Farm. Amos Brearly is forced to spend the night in Bogle Bog.
5.45 News. 6.00 Thames News with Andrew Gardner and Tricia Ingrams.
6.25 Help ! Joan Shenton is back with a new series designed to help someone, somewhere. **6.35 Crossroads.** Another episode in the long-running story of motel folk.
7.00 Charlie's Angels. At last an actress with a bit of class graces the series tonight in the shape of Barbara Stanwyck. She is hired by Charlie to protect his Angels when attempts are made on their lives. He shouldn't have bothered.
8.00 Cooper's Half Hour. Tommy's back at last and I for one will be glued to the screen. He has as his guests Thomas Henty (his son), juggler George Truzzi and singers Katie Budd and Danny Doyle.
8.30 Arthur C. Clarke's Mysterious World. The first of a thirteen-part series that looks into mysteries that have perplexed people for generations.
9.00 Born and Bred. A new comedy series surrounding two related South London families, the Benges who are respectable, and the Tongleys who are not. James Grout and Max Wall star as the respective heads of family.
10.00 News.
10.30 The Loners. A look at what makes a long-distance, lone yachtsperson. The narrator is Frank Page.
11.30 Guinness Golden Darts. Another competition for the fraternity that throws the feathers.
12.00 Barney Miller. Our hero sends for the FBI when an atomic bomb designed by an amateur is discovered.
12.25 am Close with the guitar and voice of Garth Hewitt.

RADIO

Radio 4

6.00 am News Briefing.
6.10 Farming Today.
6.30 Today.
7.00, 8.00 News.
7.30, 8.30 Headlines.
8.45 The Call of the Wild (7).
9.00 News.
9.05 Tuesday Call.
10.00 News.
10.02 Medicine Now.
10.30 Daily Service.†
10.45 Missee Lee (concl).
11.00 News.
11.05 Play : Going to the Dogs by Paul Allen.
11.35 Wildlife.
12.00 News.
12.02 pm You and Yours.
12.20 Down Your Way.
12.55 Weather.
1.00 The World at One.
1.40 The Archers.
2.00 News.
2.02 Woman's Hour.
3.00 News.
3.02 Listen With Mother.
3.15 The Golden Bowl (2).†
4.10 Dying for a Drink.
4.45 Story : The Train to the Sea, by Hugh Walpole.
5.00 PM.
5.55 Weather.
6.00 News.
6.30 The Life and Death of the Silly Ass.
7.00 News.
7.05 The Archers.
7.20 Symphony of the Oceans.†
8.05 On the Train to New Zealand (10).
8.20 Odyssey.
9.05 Can We Make Jobs ? (5).
9.30 Kaleidoscope.
10.00 The World Tonight.
10.30 Speaking for Ourselves (2).
11.00 The Goshawk (7).
11.15 Financial World Tonight.
11.30 John Ogdon (piano).
12.00 News.
12.15 am-12.23 Weather.

VHF
6.50 am Regional news, weather.
7.50 Regional news, weather.
5.50 pm Regional news, weather.
11.30-12.10 am Open University : Renaissance and Reformation ; Hume and Smith on Religion.

Radio 3

6.55 am (mw only) Weather.
7.00 News.
7.05 Records : Purcell, Britten.†
8.00 News.
8.05 Records : Schreker, Schumann, Wagner, Ravel.†
9.00 News.
9.05 Week's Composer : Finzi.†
10.10 Piano : Rautavaara, Sibelius, Nordgren.†
10.55 (mw only) Cricket : England v Australia.
6.30 pm (mw only) Records : Coates.
7.00 Talk : The Church and Latin-American Politics (1).
7.30 Prom (live from Albert Hall), pt 1 : BBC SO-Rozhdestvensky : Shostakovich (Sym 1).†
8.05 Talk : What Books I Please.
8.25 Prom, pt 2 : Rachmaninov (Francesca da Rimini).†
9.40 Talk : Promenades (11).
10.15 The English Ayre (24).†
10.30 Doctor Fischer of Geneva (4).
11.00 News.
11.05-11.15 Record : Schumann.†

VHF
6.00 am-7.00 Open University : Cognitive Development ; Cancer in the Mind ? ; Decompression Sickness.
10.55 Wind, voice : Chandler, Beaumont, Bridge.†
11.50 BBC Northern SO/Downes : Goehr, Brahms (Pno Conc 2).†
1.00 pm News.
1.05 Six Continents : world news.
1.25 Harpsichord : Byrd, Peerson, Farnaby, Couperin, Scarlatti.†
2.00 Images of Debussy (10).†
2.45 New Zealand SO/Jouhert : Jouhert (incl Sym 2).†
3.30 Songs, piano : Chopin, Messiaen.†
4.25 Jazz Today.†
4.55 News.
5.00 Music for early evening.†
6.20-7.00 Open University : Personality and Learning : M101 Preparatory Programme (2).

Radio 2

5.00 am News, weather. 5.03 Steve Jones.† 7.32 Ray Moore.† 10.03 Jimmy Young.† 12.03 pm David Hamilton.† 2.03 Ed Stewart.† 4.03 Much More Music.† 6.03 John Dunn.† 8.02 Hooray For Hollywood (10). 9.02 Glamorous Nights.† 9.55 Sports Desk. 10.02 Windsor Davies. 10.30 Those Magical Movie Musicals. 11.02 Peter Clayton. 2.02 am-5.00 You and the Night and the Music.†

Radio 1

5.00 am As Radio 2. 7.00 Dave Lee Travis. 9.32 Simon Bates. 10.32 Andy Peebles. 12.30 pm Newsbeat. 12.45 Paul Burnett. 2.32 Simon Bates. 3.32 Peter Powell. 6.31 Talkabout. 7.31 Mike Read. 10.02 John Peel.† 12.00 Close.

VHF RADIO 1 AND 2 : 5.00 am With Radio 2. 10.00 pm With Radio 1. 12.00 am-5.00 With Radio 2.

World Service

BBC World Service can be received in Western Europe on medium wave (648 kHz, 463m) at the following times (GMT):

6.00 am Newsdesk. 7.00 World News. 7.09 Twenty-Four Hours. 7.45 Network UK. 8.00 World News. 8.09 Reflections. 8.15 [illegible]. 8.30 A Taste of Hunni. 9.00 World News. 9.09 Review of the British Press. 9.15 The World Today. 9.30 Financial News. 9.40 Look Ahead. 9.45 Discovery. 10.15 A Fearful Joy. 10.30 The Madrigal. 11.00 World News. 11.09 News About Britain. 11.15 Letter from London. 11.25 Scotland This Week. 11.30 Sports International. 12.00 Radio Newsreel. 12.15 pm [illegible]. 12.45 Sports Roundup. 1.00 World News. 1.09 Twenty-Four Hours. 1.30 [illegible]. 1.45 [illegible]. 2.30 [illegible]. 3.00 [illegible]. 3.15 Outlook. 4.00 World News. 4.09 [illegible]. 4.15 [illegible]. 7.45 A Fearful Joy. 8.00 World News. 8.09 Twenty-Four Hours. 8.30 [illegible]. 9.15 The Pleasure's Yours. 10.00 World News. 10.09 The World Today. 10.25 Scotland This Week. 10.30 Financial News. 10.40 Reflections. 10.45 Sports Roundup. 11.00 World News. 11.09 Commentary. 11.15 London in Literature. 11.30 Thirty-Minute Theatre. 12.00 World News. 12.09 am News about Britain. 12.15 Radio Newsreel. 12.30 A Jolly Good Show. 1.15 Outlook. 1.45 [illegible]. 2.00 World News. 2.09 Review of the British Press. 2.15 [illegible]. 2.30 Talkabout. 3.00 World News. 3.09 News about Britain. 3.15 The World Today. 4.45 Financial News. 4.55 Reflections. 5.00 World News. 5.09 Twenty-Four Hours. 5.45 The World Today.

WAVELENGTHS : Radio 1 medium wave 275m/1089kHz or 285m/1053kHz. Radio 2 med wave 330m/909kHz or 433m/693kHz and 88-91 VHF. Radio 3 med wave 247m/1215kHz and 90-92.5 VHF. Radio 4 long wave 1500m/200kHz and 92-95 VHF. Greater London area only ; med wave 720kHz/417m. LBC 261m, 97.3 VHF, Capital 194m, 95.8 VHF, World Service : med wave 648kHz (463m). BBC Radio London 206m, 94.9 VHF.

REGIONAL TV

Anglia

As Thames except: Starts 9.35 am Sport for All. 10.00 Film: Sound Barrier (Ralph Richardson, Ann Todd, Nigel Patrick). 11.55-12.00 Cartoon. 12.30 pm-1.00 Against the Wind. 1.20-1.30 News. 2.25 Line in Skye. 2.45-3.45 Chopper Squad. 5.15-5.45 Emmerdale Farm. 6.00-6.35 About Anglia. 7.00-8.00 BJ and the Bear. 11.30 Fireside Theatre. 12.30 am East Anglian Pilgrimage.

Scottish

As Thames except: 9.30 am Odeon Cavalcade. 10.05 Film: Melba (Robert Morley, Sybil Thorndike). 11.55-12.00 Bubbles. 12.30 pm-1.00 Against the Wind. 1.20-1.30 News. 2.25-3.45 Film: Shell Game (John Davidson). 5.15 What Happened Next ? 5.20-5.45 Crossroads. 6.00 Scotland Today. 6.30 What's Your Problem ? 7.00 Emmerdale Farm. 7.30-8.00 Doctor Down Under. 11.30 Late Call. 11.35-12.30 am Paris.

Ulster

As Thames except: Starts 9.40 am Spiderman. 10.00 Treasures in Store. 10.25 World Worth Keeping. 10.50 Portrait of the Artist. 11.05-12.00 Chopper Squad. 1.20 pm-1.30 Lunchtime. 2.25-3.45 Film: Hill in Korea (George Baker, Harry Andrews, Stanley Baker). 4.13-4.15 News. 5.15 Cartoon. 5.20-5.45 Crossroads. 6.00 Good Evening Ulster. 7.00 Emmerdale Farm. 7.30-8.00 Hotspot. 11.30 Gardening Today. 12.00-12.10 am Bedtime.

Border

As Thames except: Starts 9.35 am Who's Afraid of Opera. 10.00 Treasures in Store. 10.25 World Worth Keeping. 10.50 Portrait of the Artist. 11.05-12.00 Tarzan. 1.20 pm-1.30 News. 2.25-3.45 Film: How to Break Up a Happy Divorce (Terry Parks, Barbara Eden). 5.15-5.45 Survival. 6.00-6.35 Lookaround. 7.00 Emmerdale Farm. 7.30-8.00 Love Thy Neighbour. 11.30 Kaz. 12.25 am-12.28 News.

Westward

As Thames except: Starts 10.00 am Treasures in Store. 10.25 World Worth Keeping. 10.50 Portrait of the Artist. 11.05-12.00 Chopper Squad. 12.30 pm-1.00 Against the Wind. 1.20-1.30 News. 2.25-3.45 Film: Stranger Who Looks Like Me (Beau Bridges, Meredith Baxter). 5.12 Gus Honeybun's Birthdays. 5.15-5.45 Doctor Down Under. 6.00-6.35 Westward Diary. 7.00 Dartmoor. 7.30-8.00 Plymouth Rock. 10.31 News. 10.34 Loners. 11.30 Paris. 12.25 am-12.30 Faith for Life.

Grampian

As Thames except: Starts 9.25 am First Thing. 9.30 Human Face of China. 10.00 Treasures in Store. 10.25 World Worth Keeping. 10.50 Portrait of the Artist. 11.05-12.00 Chopper Squad. 12.30 pm-1.00 Against the Wind. 1.20-1.30 News. 2.25-3.45 Film: Hill in Korea (George Baker, Harry Andrews, Stanley Baker). 5.15-5.45 Emmerdale Farm. 6.00 News. 6.15-6.35 Fangface. 6.35 Crossroads. 7.00 Electric Theatre Show. 7.30 Doctor Down Under. 11.30 Reflections. 11.35 Quincy. 12.30 am-12.35 News.

Tyne Tees

As Thames except: Starts 9.20 am [illegible] followed by News. 9.30 History of the Car. 10.00 George Hamilton IV. 10.25-12.00 Film: Bush Baby (Margaret Brooks, Louis Gossett). 1.20 pm-1.30 News. Lookaround. 2.25-3.45 Trades Union Congress. 5.15-5.45 Different Strokes. 6.00 News. 6.02 Crossroads. 6.25 Northern Life. 7.00 Emmerdale Farm. 7.30 Survival. 8.00-8.30 Benny Hill. 10.30 News. 10.32 Loners. 11.30 Kate Loves a Mystery. 12.30am-12.35 Relationships.

ATV

As Thames except: Starts 9.30 am Le Village Un Village. 10.15-12.00 Film: Africa—Texas Style (John Mills). 12.30 pm-1.00 About Britain. 1.20-1.30 News. 2.25-3.45 Film: [illegible] (Jackie Cooper). 5.15-5.45 Struck by Lightning. 6.00 ATV Today. 6.35 Crossroads. 6.30 ATV Today. 7.00 Emmerdale Farm. 7.30 England Their England. 11.30 News. 11.35-12.35 am Baretta.

Granada

As Thames except: 9.30 am Flintstones. 10.00 Nothing Great is Easy. 10.45 Cartoon. 11.00-12.00 Sesame Street. 12.30 pm-1.00 Against the Wind. 1.20-1.30 Granada Reports. 2.25-3.45 Film: Birds of Prey (David Janssen). 5.15-5.45 Different Strokes. 6.00 Granada Reports. 6.30-6.35 This Is Your Right. 7.00 Emmerdale Farm. 7.30 Doctor Down Under. 11.30-12.30 am New Avengers.

Yorkshire

As Thames except: 9.30 am Coral World. 10.25 Comic Stories. 10.30 Film: Winslow Boy (Robert Donat, Margaret Leighton, Cedric Hardwicke). 11.55-12.00 Bubbles. 12.30 pm-1.00 Mary Tyler Moore Show. 1.20-1.30 News. 2.25 Film: Shell Game (John Davidson). 3.45-4.15 Calendar. 5.15-5.45 University Challenge. 6.00-6.35 Calendar. 7.00 Emmerdale Farm. 7.30-8.00 Survival. 11.30 Champion of Champions. 12.05 am-12.35 Run From the Morning.

Southern

As Thames except: 9.30 am Human Face of China. 10.00 Bud Ing Lou. 11.30-12.00 Lost Islands. 12.30 pm-1.00 Against the Wind. 1.20-1.30 News. 2.25-3.45 Film: Strait Man (Dermot Walsh). 5.15 Undersea Adventures of Captain Nemo. 5.20-5.45 Crossroads. 6.00 Day By Day. 7.00 Emmerdale Farm. 7.30-8.00 Three's Company. 11.30 New Avengers. 12.30 am Weather followed by Half a Glass.

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(continued on page 22)

PERSONAL COLUMNS

ALSO ON PAGE 21

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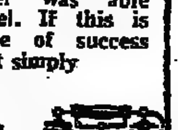

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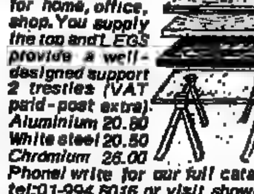

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(continued on page 21)

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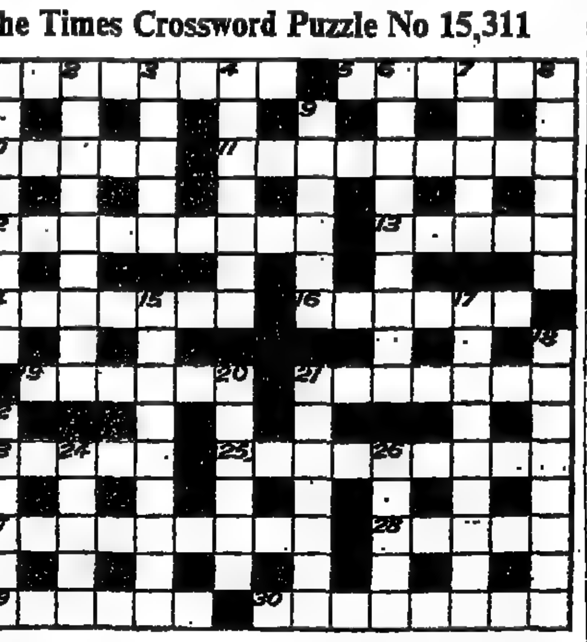
The Times Crossword Puzzle No 15,311



ACROSS
1 Father returns quietly to fish and gets shot, of course (8).
5 Rising from a trail (6).
10 Part of mast? Take bill round to the Navy (5).
11 Withdrew transporter sent back by Edward (9).
12 Punishment rated improper by economist (9).
13 Better bird in production (5).
14 Very nosy was this dramatist's hero (7).
16 Points to North—what a match! (6).
19 Poor creature from West Riding to work as engraver (6).
21 Get rid of pet on the hearth (7).
23 Stick fast perhaps to fine leader (5).
25 Not passing this way by rail (9).
27 Looking ahead to the next issue? (9).
28 "—— Anna! whom three realms obey" (Pope) (5).
29 Smart oriental craft in dry *surroundings* (6).
30 Cut off from dole, as it turned out (8).

DOWN
1 Notice a new sport requires circuit accessories (6).
2 Moriarty for chairman? (9).
3 Admitted to having had property (5).
4 Bore made a call about rising artist (7).
6 A little drink doesn't matter much (5, 4).
7 Way to get in. If guard loses his head (5).
8 For the Welsh line, change at Stroud (6).
9 This property may need a fence (6).
15 Found in digs after rate revision—true story (9).
17 Foothold in enemy territory to house troops and their leader (9).
18 Upset by data, I get confused (8).
20 Joint with food for drop-out (6).
21 Long-lasting searches (7).
22 No way to finish in Belgium (6).
24 A legislator the French find more than adequate (5).
26 He backs the show with old Gold (5).

Solution of Puzzle No 15,310

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هكذا من الاصل

هكذا من الأصل

EGYPT

While officially ostracized by almost all the rest of the Arab world, Egypt attracts visitors from Saudi Arabia and sends workers to countries which damn the rapprochement with Israel. **Denis Taylor** discusses the political and economic state of the largest Arab nation and its peculiar form of isolation. The outlook for the Camp David process, hailed as President Carter's greatest foreign policy achievement, is discussed on the next page

Is the Camp David peace process exhausted or merely stalled until after the American presidential election? President Anwar Sadat of Egypt and Mr Menachem Begin, Prime Minister of Israel, have grown steadily apart in their positions since the meeting (above right) at Aswan in January.

Cairo, city of paradox

Cairo nowadays is a city of paradox. The flag of Israel flies over that country's embassy, and armed Egyptian sentries in sandbagged positions guard the building against any attack by Arabs hostile to the peace treaty. Officially, this peace, which has so far returned two thirds of the Sinai and its oil to Egypt and removed from confrontation the Arab Army which bore the brunt of the fighting in previous Middle Eastern wars, has left Egypt isolated in the Arab world. But despite the departure of the Arab League to Tunis, there are still league staff in Cairo, and diplomats from other Arab states maintain a discreet presence in the Egyptian capital.

Visitors from Saudi Arabia and the Gulf states who stayed away in the earlier years of the rapprochement with Israel have started coming back to Egypt in significantly greater numbers this summer. The average Cairene talks about Saudis in tones not all that dissimilar from those used by the average Londoner. The Saudis are accused of responsibility for putting up prices, of arrogance and hypocrisy about drink and women once away from their restrictive Islamic base.

The boycott of Egypt by the other Arab states applies to government, but not to private aid and contracts. One estimate puts the flow of private Arab investment to Egypt in 1979 at about \$150m, approximately the same level as in previous years and accounting for about a third of the total foreign stake.

Ironically, the prospects for business in other Arab countries restrict the scope for commercial dealings with Israel. A bank or any other enterprise is likely to think hard about getting involved with Israeli interests if this means jeopardizing existing connexions with a rich Arab economy.

A purely economic barrier to trade between Israel and Egypt is the similarity of their exports, particularly fruit and vegetables. Any cooperation in areas such as agricultural technology is likely to be undertaken on economic grounds rather than as a political gesture, and it seems premature to speculate about the prospects for a marriage between Israeli science and Egyptian manpower.

While the boycott has deprived Egypt of Arab aid, it should be remembered that in recent years non-Arab donors have contributed more than Arab states. Egypt's main aid donors are now the United States, West Germany, Japan and the international institutions.

Cairo is still the intellectual centre of the Arab world. The number of writers, publishers and universities concentrated there means that ostracism of Egypt ultimately leads to an impoverishment of thought and learning throughout a much wider area.

Those Egyptians most conscious of isolation and most preoccupied with the Palestinian issue tend to be the most highly educated. The further you move from intellectual circles, the less apparent the concern about the Palestinians and the greater the likelihood of hearing anti-Palestinian comments. But to say that the average Egyptian is hostile or just indifferent to the fate of the Palestinians would be an oversimplification.

True, there is a legacy of resentment over past wars when it was held that the Palestinians were willing to fight to the last Egyptian. True, there is a strong element of "Egypt first", which draws on an awareness of the ancient civilization in the Nile Valley, long predating the arrival of Islam and the Arabic language. But try asking a man who expresses his gratitude that the country is at peace—and who proclaims that he is Egyptian whether he is, therefore, not an Arab. He is, whatever his apparent reservations about the rest of the Arab nation.

This wider Arab dimension means that President Anwar Sadat has to continue the search for a solution to the Palestinian question. But efforts on this front alone are not enough. He must concentrate on tackling the economic and social difficulties at home.

President Sadat, who is now his own Prime Minister, has publicly committed himself to devoting 95 per cent of his efforts to internal matters. The Government has promised to increase pay and improve subsidies on essential commodities. But to succeed in effectively reducing the disparities between the haves and have-nots within Egypt, promises to be a very long haul indeed.

The peace, after 30 years of intermittent warfare with Israel, has not brought fundamental economic improvement. The cranes soaring above new construction sites show that there is a good deal of economic activity, in hotel and other commercial buildings. Flyovers and improved roads have speeded up the flow of traffic. Expenditure on the telephone system in a city which three years ago had one of the worst services in the world makes Cairo now seem a somewhat less frustrating and inefficient place.

But while new construction obviously increases employment and national income benefits from such sources as the growing oil and tourist industries, the distribution of wealth continues to be extremely uneven.

The minimum wage was raised in July from £E16 (about £10) to £E20. This is the basic monthly pay for an unskilled worker in the public sector, where wage levels lag well behind those in private employment. According to one senior official, a skilled public service worker can earn up to £E70 a month. Levels in the private sector are at least double that amount.

Graduates have been taking up to 10 years to earn £E60 a month in government service, but in private firms well over twice this figure can be commanded by someone with a university degree on starting work. The higher up the career tree, the wider becomes the gap between incomes in the public and private sectors.

With an estimated 60 per cent of urban jobs in the public sector it is not surprising that discontent about inflation is so marked. There is room for endless speculation about the true rate of inflation and figures of from 20 per cent to 40 per cent are bandied about: it depends which group of Egyptians you are talking about.

Most Egyptians live on the land and the peasants have probably improved their incomes as a result of the higher prices paid for their produce. As elsewhere in the Third World it is difficult to quantify income and expenditure in rural areas. The urban poor are partially cushioned against inflation through subsidies on basic foodstuffs like bread and rice.

It is when people in towns and cities attempt to live above subsistence levels that inflation affects them. Meat is on sale in government shops at 68 piastres a kilogram, but supplies are limited. On the open market the price is more than £E3. Anyone who tries to buy consumer goods is even more affected by rising prices.

Rents have been controlled for many years, and this helps to explain the dilapidation of much Cairo property and the acute housing shortage in a city where the rapidly increasing population makes it almost impossible to meet demands for homes. Even having a high income and the ability to pay the illegal key money often demanded may not guarantee the finding of a flat.

While housing is given special priority in the latest budget, this heading embraces such items as the tunnel under the Suez Canal, flyovers and cement production as well as new towns, water supplies and sewage facilities.

The Government is hoping to stimulate private house building by offering loans at 3 per cent interest. But it is hard to see this making a significant difference when the shortage is so great for all income groups.

There are two main props for families struggling to cope with inflation. A man can take a second job, or his wife can go out to work. This option is obviously open mainly to the skilled who are already well above the bottom rung of society. Many families are helped by another of the paradoxes of Egyptian life today, the remittances which continue to flow home from Egyptian expatriates who work as doctors, teachers, technicians, drivers, plumbers and do other essential jobs in the countries which have broken with President Sadat.

In spite of the hostility between Tripoli and Cairo, there are still Egyptians working in Libya as well as in the less radical Arab states. Egypt has the only large pool of skilled, Arabic-speaking manpower, and the oil nations need to draw on it whatever the political climate.

Remittances from Egyptian emigrants return home in the form of cash or imported goods, and in recent years have been the single largest source of foreign exchange. For the first time this year, oil receipts are expected to exceed remittances which have recently been put at almost \$2,000m annually. Estimates of the number of Egyptians working abroad at any one time vary between one and two millions. Arab states either hostile to or unhappy with the rapprochement with Israel continue to sign contracts with Egyptian workers.

But while remittances have been a safety net for Egypt, the economic vulnerability of the masses—and ultimately of the whole society—was dramatically demonstrated by the severe riots of January, 1977, when the cost of basic commodities was sharply increased overnight to satisfy the International Monetary Fund.

It may not matter too much if President Sadat fails to make early progress on Palestinian autonomy. In Cairo there are few expectations that anything significant can happen before the November American presidential election. But the President and his recently reshuffled Cabinet team, notably Dr Abdel Razaaq Abdel Meguid, deputy Prime Minister and Economics Minister, cannot afford to relax their efforts at home.

President Sadat: control with the subtle touch

Egypt is officially a multi-party democracy. But real power still lies very much in the hands of one man, even if the way it is used has increasingly to take into account economic and social pressures such as resentment about inflation. President Sadat exercises his control more subtly than in the early years of his rule, and the atmosphere in Cairo today cannot be compared with that under his predecessor, Gamal Abdul Nasser, when fear of the secret police silenced opposition.

The past four years have seen moves towards greater liberalization, counterbalanced by checks to limit criticism through devices such as the almost unanimous referendum.

When President Sadat relaxed the one-party system in 1976, he thought this would create a tame opposition. In the event, the Progressive Socialist Unionists became such sharp critics of his policies, despite their tiny representation, that they found themselves accused of working for the Soviet Union.

The left-wing party talked of disbanding itself, as the New Wafd did two years ago after a referendum which paved the way for a tightening of measures against opponents of the regime.

But the leftists decided to continue. Their newspaper was suppressed in late 1978 and they won no seats in the general election last year, before which some members were detained for alleged subversion.

Critics of the Government —and they are not confined to the party which is led by Mr Khaled Moheiddin, one of the officers who overthrew the monarchy 28 years ago—claim that some results were manipulated to make sure the authorities got the candidates they wanted elected.

Even the leftists do not pretend that they could have won more than a few seats. They now have to express their views through a newsletter, which is supposed to be distributed only to party members. A group with Marxist and Nasserite elements, they want a comprehensive Middle East peace settlement and accuse Mr Sadat of isolating Egypt from the Arab, African and socialist countries in exchange for a special relationship with Israel and the United States.

They see the Camp David process as having reached a dead end, but argue that the mistakes of this approach have served to show the real problem of peace in the Middle East. That is why they see something positive in the Venice declaration of the EEC leaders which called for the Palestine Liberation Organization to be associated with the negotiations.

The leftists dream of a return to Nasserite economic policies, with increased nationalization as an escape from the multinational corporations with a stake in Egypt.

After the Government's disappointment with the left-wing opposition, the Socialist Labour Party was founded to serve as a "constructive" opposition. Its leader is Mr Ibrahim Shukri, a veteran politician and former minister.

Mr Shukri and his party have proved steady critics of aspects of the Sadat policies, arguing that Camp David is nothing unless it solves the Palestinian issue. They have not shown the outright hostility expressed by the leftists, but some of their tactics, such as flying the Palestinian flag in protest against the presence of the Israeli ambassador in Cairo, show that they are not afraid of irritating the regime.

There are 28 SLP members in the 398-seat People's Assembly. President Sadat's National Democratic Party has 361 seats. The SLP newspaper *Al Shaab* (The People) has alleged that Egypt is in effect a one-party state, but has still managed to express its criticisms in language which the authorities would have difficulty in labelling extremist.

Some scope remains for extra-parliamentary criticism, but the outlets are limited. Some Egyptian journalists are able to contribute the sort of critical articles to foreign newspapers which would never be published at home.

Seventy signatories, including two former vice-presidents, one former prime minister, other former government ministers, lawyers, academics, journalists and three present and 13 former members of the People's Assembly, put their names to a statement circulated in June calling for a complete change of direction in the state. They demanded a government of national unity to "abrogate all laws restricting civil freedoms" and new elections for an assembly to work out "a constitution for a democratic republic". The distinguished signatories called for a freezing of all agreements with Israel and the restoration of Arab solidarity.

Sweeping powers in the "law of shame" drafted earlier this year were subsequently modified after protests by lawyers, particularly about the lack of provision for appeal. But the law, passed by the People's Assembly in April, makes it a crime to advocate any doctrine "which implies a negation of divine teachings", the repudiation of "religious, moral and national values" or the urging of "disloyalty to the nation" through pamphlets or other media. Punishments range from six months to five years imprisonment.

The measures could be used to curb secular criticism and also the activities of religious zealots. Tensions between Muslim fundamentalists and the minority Christian Copts have been sharper this year than at any time in the recent past. Bomb attacks were made against two churches in Alexandria on the Coptic Christmas Eve in January. In one case a young Copt tried to kick the bomb away and had his foot blown off. In the other, the attacker blew himself up.

Riot police opened fire when Muslims and Copts clashed in Upper Egypt. There have been reports of Muslim students harassing Copts on university campuses. The church cancelled its celebration of Easter and its leader, Patriarch Shenuda III, retired to a desert monastery in protest against what was said to be harassment by Muslim extremists.

There is no doubt about the nervousness among Copts. One priest I talked to in Cairo recently asked me not to identify him in any way. Another spoke of the present as a time of trouble.

President Sadat has prohibited demonstrations by Muslims and Christian zealots and the preaching of political sermons in mosques and churches. But he has taken steps to emphasize the Islamic character of what, despite all the secular influences in Cairo and Alexandria, remains a deeply religious country.

The President, a devout Muslim, has been both accused of having helped to stimulate Muslim feeling and attacked by Islamic student militants hostile to the new relationship with Israel, the rapprochement with the West, the granting of asylum to the late Shah of Iran and the spread of secular influences in Egypt.

Another argument heard in Cairo is that the Copts have been unnecessarily provocative to the authorities. Protests by Copts in the United States against the visiting Mr Sadat caused offence in Cairo.

I also heard some sympathy expressed in Coptic circles for his position, coupled with the suggestion that Muslim extremists were being stirred up by other Arab states.

A recent referendum approved an amendment to the 1971 Constitution, making Islamic law the main source of legislation. This poll also indefinitely extended the number of terms President Sadat can serve, in effect empowering him to remain President for life. He was previously entitled to serve two six-year terms of office, which would have ended in 1982. The official result showed 98.96 per cent in favour of the referendum package, a figure similar to that in earlier polls. More than 15 per cent of those eligible did not vote.

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Stalemate over Palestinian autonomy persists. We examine prospects of the United States-sponsored peace drive

Camp David plan still lingers on, but . . .

"Camp David is dead but nobody has yet signed the death certificate", an informed Egyptian said during a recent conversation in Cairo.

In spite of the setbacks of the past few weeks that is still not the official view. Dr Osama al-Baz, a senior Egyptian diplomat who has been a key negotiator with the Israelis, said after Cairo had suspended talks with Mr Menachem Begin's Government in May: "We are not proposing any alternative now because we think that the Camp David formula is a very valid one."

The Egyptian view has been that the Israelis had the right to take whatever negotiating position they chose, but not at the same time to take actions making the talks meaningless. The actions the Egyptians were complaining of were the continued development of Jewish settlements on the Israeli-occupied West Bank and the Bill formalizing Israeli sovereignty over East Jerusalem, which was captured from Jordan in the 1967 war.

This private member's Bill, *passed* by the Knesset on July 30, was the pretext for stopping the talks when it was introduced three months ago. Israeli arguments that this measure simply endorsed an existing situation were resisted by the Egyptians, who claimed that they were merely talking while the Israelis acted.

It is hard to see what leverage the Egyptians have over Israel. While there is little expectation in Cairo of movement before the November presidential elections, there is no guarantee that a new Administration in Washington will exert any more pressure on Israel than its predecessor has done. All along the Egyptians seem to have had an exaggerated view of the extent to which the Americans could, or were prepared to, influence Israel, particularly over what Israelis see as their security needs.

The peace treaty is returning Sinai to Egypt, but it has also taken out of the battle line the key army, without which the Arab nations cannot fight Israel. The Camp David process, while giving the Egyptians the respite they need to rebuild their economy, does not give President Sadat the power to do anything for the Palestinians.

Full autonomy for the Palestinians has been agreed as the aim of both sides, but there is no relation between the Egyptian and Israeli views of what this means and any concessions are very much up to the Israelis.

Egyptian critics of President Sadat argue that he has given far too much away for the wrong reasons. Dr Leila Takla, foreign affairs spokesman of the Socialist Labour Party, told *The Times*: "I believe that the Middle East problem was never Sinai. The Middle East *problem* has always been the Palestinian problem. It's like somebody who has a common cold and a kidney infection. You cure the cold and just ignore the kidney infection.

"We believe the Palestinians have the right to self-determination. Palestine exists because of the United Nations resolution 181 which created Israel and partitioned Palestine. What we are asking for is not the creation of a new state but the recognition of an already existing state of Palestine.

"We want peace, but we want real peace and we want normal relations with Israel, but what is happening today is abnormal."

Egyptian officials argue that the new relationship with Israel will eventually have a great influence on Israeli public opinion and the whole way in which they look at their Arab neighbours. As Dr al-Baz has put it: "We believe that the dialogue with the Israelis in general is going to bear fruit; the only question is when."

This is where the rub comes. The Egyptians say that the Palestinians will have to have a voice in deciding the final status of Jerusalem. The Israelis say that status had already been decided, and show no signs of admitting the Palestinians to any dialogue.

While the talks between the two countries are stalled without any clear hopes of progress on the core issue of the West Bank, Egypt's relations with Libya, with which it fought a brief desert war three summers ago, remain bad. Colonel Gaddafi accuses President Sadat of treachery to the Arab world by signing a peace treaty with Israel.

A sharpening of tension led to the proclamation of a state of emergency in an area of 19,000 sq km west of Marsa Matruh in June.

A war of words has been waged with Ethiopia. When water from the Nile was piped into Sinai after the Israeli withdrawal, Ethiopia accused Egypt of violating an agreement of 1897. The Blue Nile rises in Ethiopia.

The Egyptians' view is that they would have to consult other countries through which the Nile flows if they decided to feed water into Israeli territory, but that such a question did not arise over distribution inside Egyptian territory.

President Sadat, who continues to portray Egypt in geopolitical terms, accused the Russians of encouraging the Ethiopians. "Ethiopia has started creating trouble. . . . They want to start a battle with us", he said in an interview with the *Washington Post*. He repeated the argument he put forward three years ago when backing Somalia in the Ogaden war that the waters of the Nile represented life or death for Egypt, and he renewed his pledge to go to war with Ethiopia if Addis Ababa tried to interfere with the flow of the river.

While officially shunned by most of the Arab world, Egypt is not quite the outcast it looks on paper. The Saudis, while questioning moderation and even raising *the rhetorical spectre of a jihad* (holy war) against Israel, have refrained from doing anything which might destabilize the conservative President Sadat. The Gulf Arabs continue to do business with Cairo.

Mr Sadat has shown fewer inhibitions about dealing with the United States than has any other ruler in the Middle East. While it is difficult to see where his links with the Americans and Israelis can take him in terms of a Middle East settlement, the relative military weakness of the other Arabs, added to their political divisions, means that they do not have the power to force him to change course. If he, in turn, manages to deliver any concessions for the Palestinians it will be the biggest surprise in Middle East politics since his journey to Jerusalem.

Denis Taylor

. . . relations with Israel remain an intractable problem

In the 15 months since the crucial negotiations on Palestinian autonomy began their uncertain progress, the basic Israeli position has not altered to any significant degree despite frequent international calls for Jerusalem's negotiators to adopt a more compromising attitude.

Requests from President Carter for at least a temporary halt to the expansion of Jewish settlements on land seized from the Arabs in 1967 have been studiously ignored. At the same time, the increasing alienation of the 1,100,000 Palestinians whose future is being discussed is regarded by the Israeli authorities as a problem to be dealt with by the bluntest of military means—hence the new hard-line security policy now in force in the West Bank and the Gaza Strip.

Apart from embarrassing the Egyptians and Americans on frequent occasions, Israel's insensitive attitude towards the Arabs in the occupied territories has more or less guaranteed that whatever the outcome of the present talks, the chances of local Palestinian *participation in any autonomy* scheme are nil.

Now that Egypt has again withdrawn from the negotiating table, there is still not the slightest indication that the present right-wing Israeli coalition Government is prepared to make concessions on its original plan for a highly limited form of autonomy. Indeed, in the weekend before his latest heart attack, Mr Menachem Begin, the Prime Minister, hinted strongly that he was preparing to make the opposition Labour Party's alleged softness on the Palestinian issue a key factor in the next general election, which must be held before November, 1981.

The central plank of Israel's autonomy plan, and of its whole attitude towards the peace process, is that nothing must be done which would ever facilitate the establishment of an independent Palestinian state on its borders. To back this aim, Mr Begin frequently raises in speeches the spectre of Soviet generals walking the streets of Bethlehem, the occupied town closest to the boundaries of Jerusalem.

For this reason, Israel is at odds with Egypt on almost every one of the outstanding issues in the stalled talks; and over the past 15 frustrating months, *nothing* that American diplomats have tried has succeeded in bridging the wide gap. In the circumstances, it is hardly surprising that most international observers — especially the better-informed European diplomats—have long ago written off the chances of the Camp David process in its present framework.

Although Israel's Cabinet is divided on many issues, there has been little sign of division on the autonomy plan. From an Israeli viewpoint, the most important proposals cover the absolute indivisibility of Jerusalem, the refusal to allow the projected Palestinian Council more than administrative powers, the insistence that Israeli troops would remain in force in the so-called autonomous area and the refusal to allow the Palestinians control over essential natural resources such as water.

Although the Israeli Government frequently talks of granting the Palestinians "full autonomy", few observers have been able to take the pledge seriously in the face of the repeated refusal to alter the controversial policy of Jewish settlement. As a result, more than 100 Jewish settlements are envisaged as remaining completely untouched in the West Bank and Gaza, each ruled under Israeli law and linked to an army outpost.

The full extent to which Israeli soldiers are seen as remaining in the region was revealed by the recent leaking of a redeployment plan drawn up during a number of private sessions of the Israeli Cabinet's security and defence committee.

In the face of the intractability of the present Israeli and Egyptian positions, it is hard to see any substantial progress being made in the present negotiations until there is either a change of government in Jerusalem, a new administration or re-elected administration in Washington, or both. But even here, a word of caution is needed for those optimists who have too strong expectations of a breakthrough emerging from a change of rulers in Israel or an American Government freed for some years from the need to woo the Jewish lobby for electoral purposes.

All the opinion polls in Israel point to the return of the Labour Party with a sweeping majority but, despite the parliamentary weakness of the Begin coalition, voting is not necessarily imminent and the Opposition has its own personality differences at the top. Moreover, the insistence of the Labour leader, Mr Shimon Peres, that Jordan's King Husain would be prepared to enter negotiations on territorial compromises or joint rule in the West Bank are not borne out by the facts.

In a recent interview with *The Times*, the Jordanian monarch stated categorically that he would not be prepared to negotiate with any Israeli government over what he described as "an inch of Palestinian soil or an iota of Palestinian rights". It was a pledge he repeated publicly two months ago when opening an Arab League meeting in Amman: there again, he demanded total Israeli withdrawal from the occupied territories, including the Arab sector of east Jerusalem which was annexed soon after the 1967 war.

In the face of these contradictory positions (Mr Peres envisages keeping Israeli control over about 20 per cent of the West Bank and is as adamant as Mr Begin about Israel's sovereignty over east Jerusalem) it is hard to see that a change of government will bring any immediate solutions to a problem which is now threatening the stability of the whole volatile region.

As the English-language *Jerusalem Post*—certainly no friend of Israel's present administration—put it in a recent article: "When the leader of the Opposition insinuates that the Labour Party is very close to resolving stalled negotiations over the West Bank, he could dangerously mislead those voters who expect Labour to act more decisively in accelerating the peace process rather than slowing it down."

Christopher Walker

War unlikely but new balance of power is elusive

Arab opposition to the Camp David accords for peace in the Middle East has failed to reverse President Sadat's peace drive with Israel but has succeeded in deterring other Arabs from joining the process sponsored by the United States.

Although differences over the concept of Palestinian autonomy, the status of Jerusalem and Israel's settlement policy have been serious obstacles to progress in the Egyptian-Israeli negotiations, another equally serious obstacle has been the difficulty of finding Jordanian or Palestinian negotiators. All efforts to bring either of them into the talks have failed.

While a comprehensive settlement remains as remote as ever, the Camp David accords so far have produced no more than a peace treaty between Egypt and Israel, thus extricating the biggest and strongest Arab power from the 33-year-old Arab conflict with the *Jewish state*.

Within the context of superpower rivalry, this is a significant accomplishment by the United States. It means that another Middle East war is almost out of the question *in the foreseeable* future. For Israel's other Arab neighbours, especially Syria, Egypt's wartime ally against Israel, the strategic balance of power in the region has been seriously disrupted. It will take some time, perhaps years, before the balance—if there ever was one—can be reestablished.

The few Arab states that are staunchly opposed to President Sadat's Middle East policy have formed a block of their own, which they call the "steadfastness and confrontation front", comprising Syria, Libya, Algeria, South Yemen and the Palestine Liberation Organization (PLO). In its two and half years of existence, the front has shown not *only signs of impotence*, but also the symptoms of disarray arising mainly from the conflict between Colonel Muammar Gaddafi, the Libyan leader, and Mr Yasser Arafat, the PLO chairman.

Disenchanted by the front's performance, and over-burdened by domestic trouble, Syria's leaders have decided to become more militant in the hope of maintaining their Ba'ath Party regime intact. Government officials are now talking about steps toward a "qualitative upgrading" of Soviet-Syrian relations, possibly some form of a military alliance that would provide the Arab state with greater guarantees in the event of an external attack.

The turbulent situation in Syria has led Yasser Arafat, the Palestinian leader, to begin rebuilding bridges with King Husain of Jordan. After being barred from setting foot in Jordan for almost a decade, Yasser Arafat has made at least six visits to Amman in the past two years. He conferred with the Jordanian monarch and discussed the coordination of their policies.

Mr Yasser Arafat, chairman of the Palestine Liberation Organization.

The two leaders appear to have more common ground now than ever before, and this has led to speculation that a tacit agreement has been reached on a federated Jordanian-Palestinian state as one way of resolving the Palestine problem. Mr Khaled *Hassan*, a senior aide to Yasser Arafat, would say only that this possibility had been discussed, but that no decision on it was made.

Although most Arab states are opposed to President Sadat's peace policy, their opposition varies in degree. Syria and its hard-line allies, dedicated to the overthrow of the Sadat regime, are finding it difficult to win wider Arab support beyond the rejection of the Camp David process.

Moderate Arab states, including *Saudi Arabia*, Jordan, Morocco, and some Gulf emirates, privately acquiesce in President Sadat's handling of his country's problem with Israel, acknowledging that he got what he wanted as an Egyptian and as the leader of a sovereign, independent state. The trend among these moderate Arabs, therefore, *is to ignore what* President Sadat has done and concentrate on the other aspects of the conflict with Israel involving Jordan, Syria and the PLO.

To placate the Arab hardliners, on the other hand, Saudi *Arabia* last *month* blew the horn of the *jihad* against Israel without proposing any specific action.

The strain in Syrian-Iraqi relations has checked moves to fill the power vacuum caused by Egypt's defection from the confrontation with Israel. The Iranian revolution has split the Arab world into countries that either support the Islamic regime in Tehran or oppose it or prefer to refrain from taking a public stand one way or the other. But Iraq's principal concern at present is the handling of its conflict with the neighbouring regime in Iran.

For some conservative Arab states, particularly Saudi Arabia and its allies, the Soviet military intervention in Afghanistan had the impact of an earthquake. It suddenly topped the list of priorities of these states, provoking the rage of the pro-Soviet Arab regimes.

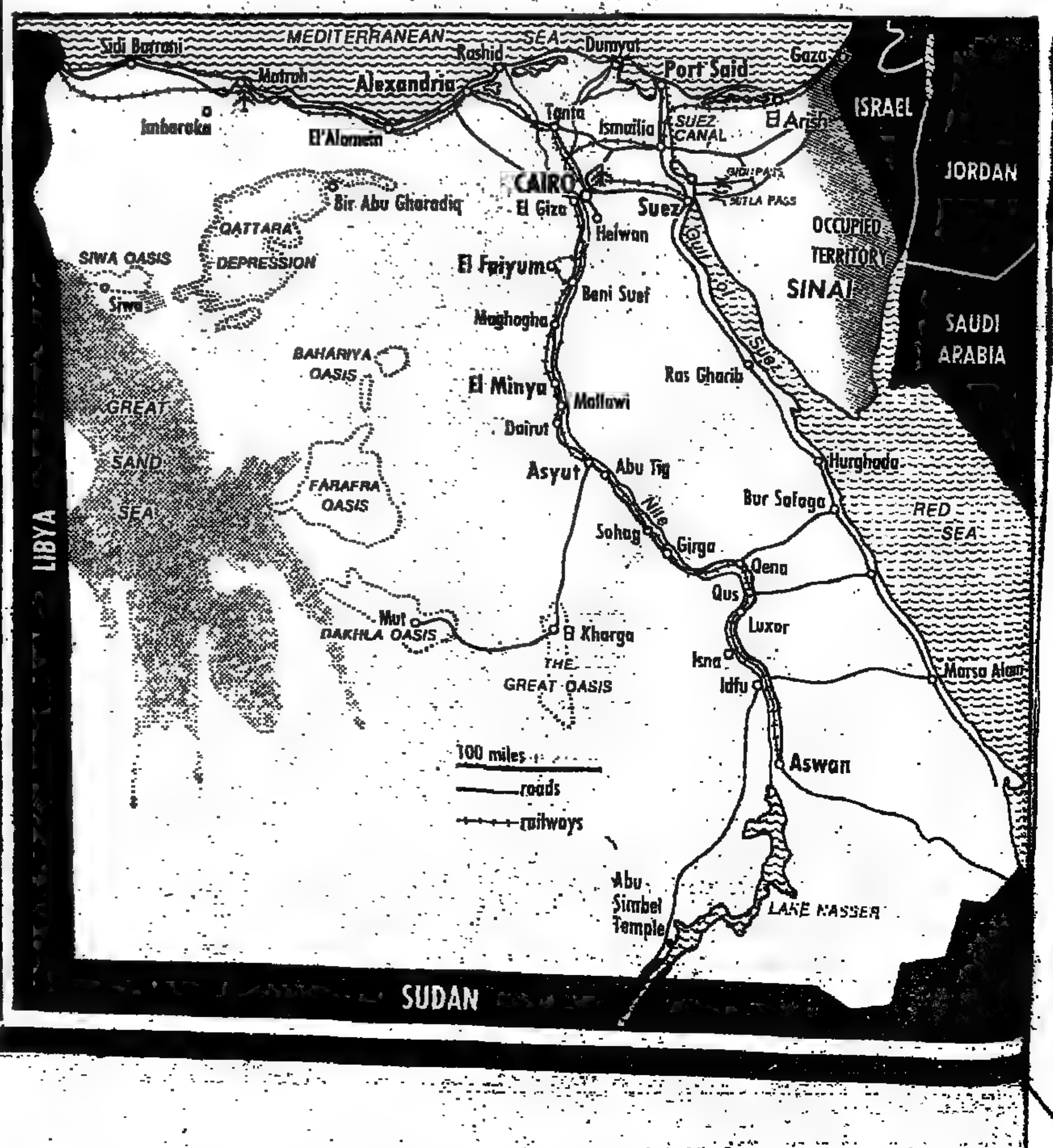
Despite the general agreement of Arab states to oppose the Camp David accords, Syria has occasionally expressed its dismay at what it regarded as the weakening opposition to the accords by some of them. It has also expressed suspicion about the attitudes of King Husain and Yassar Arafat. The underlying fear is that if either of the two men decides to go it alone, Syria will be left in isolation. The situation *would be even worse* if the two jointly agreed on a formula which they hoped would give them back the occupied West Bank and Gaza Strip.

Since September last year, the Jordanian monarch has been promoting his proposal for an international conference on the Middle East with the participation of the United States, the Soviet Union, Syria, Jordan, the PLO, Israel, Western Europe and Third World countries, in an attempt to find a comprehensive peace settlement in the region.

King Husain will be pressing for an Arab substitute to the Camp David formula during the Arab summit conference at which he will play host in November. But whether such a collective Arab drive could eventually replace the Camp David process depends ultimately on the United States and Israel which continue to refuse categorically to deal with the PLO.

The EEC Venice declaration in June was slightly helpful in that it recognized the Palestinian people's right to self-determination, but in the opinion of the hardline Arabs it did *not go far enough*. Developments in the Middle East now appear to be at a standstill until the outcome of the United States presidential election later this year is known.

Tewfik Mishlawi



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THE GENERAL ASSEMBLY:

A meeting for the General Assembly of the bank was held in Cairo on the 7th of Rajab 1400, H. falling on May 22, 80, A.D. The Balance Sheet and the profit and loss account for the period ending 30/12/1399 H falling on 20/11/1979 was approved.

The return on bank's activities will be paid as from 28, Rajab, falling on 12 June, 1980 as follows:

—Investment accounts 10.7%

—Shareholders 8.6%

It is also a pleasure for the bank to announce the realization of the following rates of return on its activities for the first quarter of the year 1400 H. from 1/1/1400 to 30/3/1400 H.:

—Investment accounts 3.06% (as 12.24% per annum).

—Shareholders 4.25% (as 17% per annum).

BANK'S INVESTMENT PROJECTS

(value: 000's L.E.)

Project	Type of Activity	Capital
General Investment Co. "GICO"	Commercial and Industrial	1,500
Misr International Hospital Co.	Health services	2,500
Medical Herbes Project "SICKEM"	Agricultural and Industrial	500
Television Screens Industry	Industrial	468

PROFIT & LOSS ACCOUNT FOR THE FISCAL PERIOD ENDING
30 ZHUL-HEJJEH 1399 H., FALLING ON 20 NOVEMBER 1979 A.D.

EXPENSES	U.S. DOLLARS	REVENUE	U.S. DOLLARS
General Expenses	423,783	Earnings of Partnership & Modarba	1,272,120
Depreciation on Assets & Formation Expenses	79,727	Earnings of Banking Activities	598,395
Net Profit	1,367,005		
	1,870,515		1,870,515

—10.7% per annum distribution to Investment Accounts.

BALANCE SHEET AS AT 30 ZHUL-HEJJEH 1399 H.
FALLING ON 20 NOVEMBER 1979 A.D.

ASSETS	U.S. DOLLARS	LIABILITIES	U.S. DOLLARS
Cash	1,543,682	Investment, Current & Savings Accounts	23,625,549
Banks and Correspondents	9,749,212	Sundry Credit Accounts	1,947,626
Partnership and Modarba	24,084,199	CAPITAL	
Sundry Debit Accounts	849,459	Authorized Capital U.S. $40 Million Issued (400,000 shares of U.S. $100 each)	
Furniture & Equipment (after depreciation)	1,358,140	Paid-up Capital	10,000,000
Formation Expenses (after depreciation)	753,986	Pre-paid Capital Instalments	1,795,705
Deferred Expenses (after depreciation)	397,297	Net Profit	1,367,005
	38,735,985		38,735,985
Contra Accounts (Clients' Liabilities for letters of Credit, Letters of Guarantee, etc.)	4,405,549	Contra Accounts (Bank's Liabilities for Letters of Credit, Letters of Guarantee, etc.)	4,405,549

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مأخذا من الاهل

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P.O. Box 1007 Cairo.
Tel.: 902645-923677-934349.
Telex: 92235 INVST UN & 348 GAFEC UN.

Approved Inland, Public and Private Free Zones Projects
(31/12/1979)

(Value in L.E. 1000)

	Number	Capital Local C.	Capital Foreign C.	Capital Total	Total Investment
A. Inland Projects:					
1. Investment Companies	87	199,129	255,947	457,076	597,016
2. Banks and Banking Institutions	42	72,465	120,835	193,300	193,300
3. Touristic Projects	96	195,962	209,326	405,288	716,979
4. Housing Projects	43	59,131	100,762	159,893	234,369
5. Transportation Projects	12	3,086	29,615	32,701	76,347
6. Health Projects	17	16,987	21,435	38,422	51,275
7. Agricultural Projects	38	59,379	56,860	116,239	275,584
8. Contracting Projects	72	21,948	38,399	60,347	105,419
9. Consultation Projects	20	2,849	4,596	7,445	8,600
10. Services Projects	22	24,871	131,031	155,902	199,743
11. Textile Projects	38	66,530	55,645	122,175	652,400
12 Food and Beverage Projects	53	33,063	34 157	67,220	172,509
13. Chemical Projects	91	76 521	93,953	170,474	282,809
14. Wood Products Projects	12	3,610	12,212	15,912	26,046
15. Engineering Projects	42	43,148	62,953	106,101	250,690
16. Building Materials Projects	37	70,749	39,518	110,267	292,473
17. Metallurgical Projects	25	13,346	20,448	33,794	46,052
18. Pharmaceutical Projects	9	3,831	6,062	9,893	16 731
19. Mining and Petroleum Projects	9	3,026	14,176	17,202	34,658
Total	766	969,691	130,796	2,277,651	4,158,913
B. Public Free Zones					
1. Cairo Public Free Zone	41	816	40,012	40,828	53,016
2. Alexandria Public Free Zone	52	1,436	37,725	39,161	129,642
3. Suez Public Free Zone	43	535	16,301	16,836	20,399
4. Port Said Public Free Zone	113	3,068	90,965	94,033	114,174
Total	249	5,875	185,003	190,878	317,131
C. Private Free Zones					
1. Cairo Private Free Zones	24	2,939	42,018	44,957	106,685
2. Alexandria Private Free Zones	32	1,497	132,035	133,532	865,226
3 Suez Private Free Zones	5	197	28,753	28,950	31,467
4. Port Said Private Free Zones	3	60	515	575	954
Total	64	4,693	203,321	208,014	1,004,532
Grand Total	1,078	980,259	319,120	2,676,543	5,510,881

MINISTRY OF ECONOMY, FOREIGN TRADE AND ECONOMIC COOPERATION

Bank Sector

Central Bank of Egypt
National Bank of Egypt
Bank Misr
Bank of Alexandria
Bank of Cairo
Egyptian Real Estate Bank
Arabian Real Estate Bank
Industrial Development Bank

Cotton Sector

The General Organization for Cotton Arbitration and Testing
The General Organization for Ginnings Development
Misr Cotton Export Co.
Port-Saeed Cotton Export Co.
Alexandria Trading Co.
Cairo Co. for Cotton Trading and Export
Eastern Co. for Cotton
Joint Stock Co. for Cotton Trading and Export
Misr Cotton Ginning Co.
El Arabia Cotton Ginning Co.
The Delta Cotton Ginning Co.
El-Wadi Cotton Ginning Co.
El-Nile Cotton Ginning Co.
Misr Cotton Pressing Co.

Foreign Trade Sector

The General Organization for International Exhibitions and Fairs
The General Organization for Export and Import Control
Misr Foreign Trade Company
El Nasr Export and Import Company
Misr Import and Export Company
Tractors and Engineering Company
General Co. for Trading and Chemicals
Arab Foreign Trade Company
General Co. for Engineering Works
Misr Car for Trading Company
El Nil Co. for Export Agriculture Products
El Wadi Co. for Export Agriculture Products
Commercial Timber Trading Co.
El-Nasr Co. for Dehydration of Agriculture Products

Insurance Sector

Egyptian General Organization for Insurance
Misr Insurance Company
El-Shark Insurance Company
National Insurance Company
Egyptian Co. for Re-Insurance

THE MINISTRY OF ECONOMY AND THESE PUBLIC SECTOR COMPANIES ARE READY TO HELP FOREIGN INVESTORS INTERESTED IN EGYPT.

Oxen and a wooden plough in action in Egypt.

The peasant has been neglected

Egyptian agriculture can appear like one of those games in which there are a number of variables to play with in the context of a fixed system. Perhaps that is why there are so many academics, mainly Americans, running around trying to subject it to rational computer analysis.

They often forget that the main variable in the system, the one that is least conducive to objective assessment, is the behaviour of the Egyptian fellah in the field. Over the millennia he has proved himself hard-working and productive, but during the past two decades he has felt cramped by government quotas for his crops and by state control of marketing and pricing of most agricultural produce. President Sadat has promised him more money for more effort, but up till now post-Nasser agricultural policy has benefited only the richer farmers, while holding out promises of impressive profits to foreign investors who commit themselves to ambitious projects such as Coca-Cola's citrus plantation north of Cairo and the recent British-sponsored £280m plan to reclaim 100,000 acres of desert in West Nubaria for sugar beet and agro-industrial production.

The peasant has generally been neglected, and as a result Egypt has to spend twice as much importing food as it gains from selling produce abroad. Its agricultural deficit has grown from $300m in the early 1970s to more than $2,000m today.

For years the concept of eventual agricultural self-sufficiency has been bandied about. But this year the deficit has become such a drain on the Egyptian economy that President Sadat has decided to give some force to the policy. He has set up a food security programme headed by his relation and long-standing political colleague, Osman Ahmed Osman. Meat, vegetables, fish and poultry are promised in the marketplace at cost price as soon as the new Food Self-sufficiency Company gets going. The army has been ordered to grow its own food. Overall command of agricultural production has been entrusted to one of the new deputy prime ministers—the Oil Minister, Ezzeddin Hilal—who has been charged with increasing output through the use of advanced technology, while the Minister of State for Agriculture, Dr Mahmud Daud, has a special food security fund to draw on from this month.

As food self-sufficiency is so manifestly the watchword of the moment, it is ironic that the Government announced it was spending £E125m to import 10,000 tonnes of frozen meat, 10,000 tonnes of fish, and 5,000 tonnes of poultry to ensure that supplies did not run low during Ramadan. But then the policy-makers have to operate within the constraints of the system, and the main constraint, or, to return to the opening metaphor, the overriding rule of the game is the finite area of cultivable land in Egypt.

Accurate figures are sometimes hard to come by, but probably about 4 per cent of the soil, or between about 2,260,000 and 2,590,000 hectares, are actually fit for the plough. The Government has put energy and money into its effort to improve this figure. About 8 per cent of the investment budget in the five-year plan 1979-83 is being spent on agriculture, and 45 per cent of this total is earmarked for developing new lands.

Already nearly one million hectares have been reclaimed from the desert since the opening of the Aswan Dam in the mid-1960s, and another 600,000 hectares are scheduled to follow this decade.

Productivity on these "new lands" is poor, contributing only 2 per cent to overall agricultural output. Arable land is subject to encroachment by industry and housing, which together gobble up about 30,000 hectares of the countryside each year. Even recognizable agricultural land is often poorly drained with resulting soil salinity. Experts estimate that with proper drainage—and the World Bank is investing large sums in the idea—productivity could rise by 25 per cent to 30 per cent.

Scarcity of cultivable land makes certain figures in the overall agricultural equation simple, however. In 1978 Egypt could produce only 28 per cent of its wheat requirements from 1,400,000 feddans. To become self-sufficient it would have to devote 60 per cent of its cultivable land to wheat production. This is clearly impracticable. So the one exception to the general policy of self-sufficiency is wheat. Imports of wheat have grown from two million tonnes a year in the early 1970s to about five million tonnes, mainly provided by Australia (1,700,000 tonnes this year) and the United States (1,500,000 tonnes).

How can returns of other crops be maximized? One method is to adjust the pricing mechanism, particularly of produce where government has traditionally controlled planting quotas and market prices, such as cotton, rice, wheat, sugar cane, lentils, sesame, onions and groundnuts.

In the past the peasant farmer has accepted this centralized system in return for free water and drainage and for subsidized inputs such as fertilizers. But lately it has become apparent to him that he is receiving consistently 20 per cent to 50 per cent below the market price for his crops. This came home to him when the Government reduced subsidized imports of certain goods in 1977 and immediately the price of maize to the farmer jumped by 50 per cent.

Over the years the pricing and quota system has encouraged the farmer to devote less time to crops which the Government considers important to the economy, such as cotton, rice and wheat, and more to cash crops which are immediately rewarding to himself, such as fruit and vegetables.

The result is that Egypt is self-sufficient in fruit and vegetables, and there is a surplus of these for export. There are those who argue—against the current orthodoxy—that this is a good thing, and that Egypt should maximize its production of such cash crops in order to pay for imports of other essential goods. This argument is often advanced by foreign countries which have already shown that it is possible to get good crops of citrus fruits from reclaimed desert land.

Egyptian agricultural planners are not particularly impressed; but they have seen the need for market prices to act as an incentive to production. At the beginning of 1979 they raised the prices of six essential agricultural commodities by 30 per cent, and they were rewarded this year with a record output of the country's most important agricultural export earner—cotton. Now they are claiming that agricultural production in Egypt has increased by 3 per cent over the past two years, keeping just ahead of a population growth estimated at a million people or 2.5 per cent a year.

Population is another of the great imponderables, and not just because of numbers. Great social changes have resulted from villagers travelling to Saudi Arabia for work. Country farms have had to make do with reduced manpower; they have therefore been more amenable to mechanization, and this trend has been developed by increased contact with the outside world.

Villagers returning from abroad have wanted to maintain their accustomed standard of living and social habits, so consumption of meat has become more regular. Last year red meat consumption rose to 441,000 tons (113,000 of which were imported) from 328,000 tons in 1978.

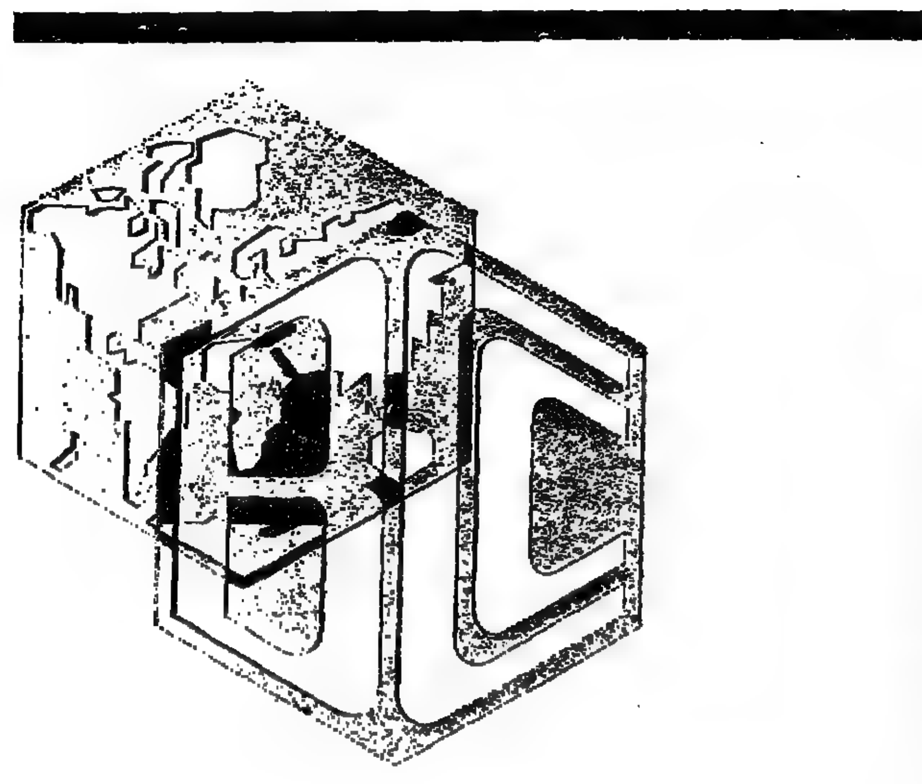
This came at a time when livestock population was falling, partly because of lack of pastures caused by pressure on land. Enterprising peasants have increased their output of bersim (clover) for use as animal feed, but there still has not been enough to go round. Egyptians have been slaughtering their cattle when young and unfattened (about 60kg) because they have not been able to afford the small amounts of animal feed available.

This has brought retribution from no less a figure than President Sadat, who pointed out that the Austrian cattle used for Egyptian meat consumption were not slaughtered until they weighed 500kg. There has been a semi-official campaign against donkeys, which are said to eat too much, and in favour of buffaloes, which fatten quickly.

The Government has promoted commercial fish and poultry farming as a source of protein for hungry Egyptians, and so new variables are introduced into the model, although the overall picture remains much the same.

Agriculture contributes about 25 per cent of gdp and still makes a significant contribution to export earnings. It is the same today as it was 4,000 years ago, although the prevailing spirit is more scientific than the religious devotion which greeted the annual flooding of the Nile and the watering of the fields in ancient times.

Andrew Lycett



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Open-door policy transforms economy

The Egyptian economy has changed radically since the October war of 1973. The economic system established by President Nasser has been transformed beyond recognition by the liberalization measures and the open-door policy promoted by President Sadat. The private sector has been encouraged to invest and expand; foreign companies have been invited to operate in Egypt; foreign exchange controls have been relaxed and trade is much freer than at any time since the 1930s.

These measures, however, did not abolish the institutions of the old system: planning, public sector enterprises, price controls, ration cards, marketing boards and agricultural cooperatives have all survived while losing their dominant position.

The transformation of the economic system coincided with important changes in Egypt's domestic and external circumstances. The oil price revolution of 1973 created new and challenging opportunities. It induced a massive absorption of Egyptian workers in rich Arab countries, and brought the promise of Arab investment and aid for Egypt. The oil price rise enhanced the value of Egypt's petroleum resources and their attractiveness to foreign explorers and developers. The October war was followed by a reversal of Egypt's international alliances — away from the Soviet Union and towards the United States and the West.

All these circumstances called for the liberalization and the opening up of the economic system. President Nasser's closed economic system, with its rigid controls on movements across the border of people, currency, capital and goods, was ill suited to the new circumstances. The old system would have been unable to handle large migration flows; to attract back into the country the remittances of Egyptians working abroad; to reassure foreign investors and those conservative Arab governments willing to shower Egypt with aid.

The old system may also have seemed incompatible with Egypt's new international outlook. The opening up of the system signalled, among many other things, the genuineness of President Sadat's overtures to the West.

The main differences between the Egyptian economy in the 1960s and in the 1970s are related to liberalization and oil. Oil is a growing source of foreign exchange earnings; production in 1979 reached 700,000 barrels a day, and Egypt, unconstrained by Opec policies, was able to benefit from the highest spot prices during the Iranian crisis. In 1979 revenues from oil exports may have exceeded $2,000m; the 1978 revenues are estimated at $700m. Petroleum is also an indirect source of income since the remittances of Egyptians working abroad are clearly attributable to oil.

Oil and remittances, and Suez Canal transit revenues, are the main causes of gnp growth. Remittances, a mere $200m in 1974, reached $1,700m in 1978 and exceeded $2,000m in 1979. The severance of links between Egypt and other Arab countries after Camp David has dried up the flow of official Arab assistance, but has had no impact on emigration and remittances. Increases in the numbers of Egyptians working abroad have been recorded in at least two instances: in Saudi Arabia and, paradoxically, in Iraq. The Suez Canal, closed between 1967 and 1975, has been bringing in between $600m and $700m in annual dues.

Thanks to these oil-related earnings Egypt has been able to enjoy high rates of economic growth and to benefit from a spectacular reversal of its external balances. Since 1976 gnp has probably increased at annual real rates of between 6 per cent and 9 per cent, and the deficit of the current balance of payments, which may have been as large as $3,000m in 1975, is expected to shrink to less than $1,000m in 1980. Optimists in the Egyptian Government even believe that Egypt may show a surplus on the current account this year.

The financial troubles are certainly much less acute than at any time since 1973. The management of foreign exchange cash flows, a constant nightmare for all Egyptian economic ministers and bankers—a nightmare which paralysed economic decision-making—is no longer a big worry. It is remarkable that these improvements happened when Egypt, because of Camp David, was being deprived of the financial benefits of Arab aid.

Liberalization, the second main feature of the "new" Egyptian economy, is a mixed blessing. As a logical step in the opening to the newly-enriched Arab oil-exporting countries and to the West, it involves an enhanced ability to take maximum advantage of oil and oil-related opportunities.

Liberalization, however, came too suddenly, and large parts of the economy, sheltered and inefficiently run for too long, suffered from the brutal exposure to competition. Public sector industries are still there, but their performance leaves more to be desired than under President Nasser's closed system. They neither benefit, as in the past, from the attentions of a government committed to their success, nor compete successfully with imports and with Arab and other employers who lure away their skilled workers.

Liberalization has contributed to inflation and, more seriously, to the emergence of gross disparities in the distribution of income. Merchants, importers, financiers and middlemen have become very rich thanks to the opportunities of the open-door policy. Many Egyptian families in all classes of society—from urban professionals to farmers and unskilled workers—have become better off because one of their working members is employed abroad. But a large majority feels increasingly frustrated as their incomes are growing neither as fast as inflation nor as fast as their aspirations.

These social tensions are dangerous—they threaten political stability. One should not draw too close a parallel with Iran, but it is always worth remembering the Iranian lesson: too high a rate of inflation and too great a degree of income inequality lead to acute socio-political crises.

The Egyptian economy is doing well at one level, but performing badly in agriculture and industry. Oil riches, Suez Canal traffic, tourists, emigration and remittances are benefits derived from external sources. Egypt has little control over the forces which determine the size and growth of these benefits, and economic development in the long run will depend on permanent achievements in the domestic economy. Productivity should grow in agriculture, industry should become more efficient, investments to help production should be expanded, and the management of the economy should improve if Egypt is to develop economically.

The problems faced by the country are still formidable: high rates of population growth scarcity of arable land and of natural resources other than oil, urban congestion, lack of adequate basic services. This is the old, familiar list of Egypt's economic ills. They are thinly concealed by large foreign exchange earnings which correct the balance of payments deficits and keep bankers, financiers and the International Monetary Fund happy. But if these earnings are not put to good use to transform the productive base of the economy, the ills will threaten again the economic future and the stability of the country.

Robert Mabro
Fellow of St Antony's College, Oxford

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Documentary Credits	L.E. 200,0 million

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The Ismailia Clay Brick Company — The International Shoe Company

Mohandes Bank — The Ismailia Slaughterhouse Company

Mohandes Foodstuff Company — The Food Security National Company

The Housing Company for Vocational Syndicates

Al-Watany Development Bank

There's a bright future in oil

Britain buys more oil from Egypt than from any other source outside Opec. In the first five months of this year, Egypt sent the United Kingdom 2,081,000 tonnes at a cost of £186,146,000. This compared with imports of 5,800,000 tonnes from Saudi Arabia, Britain's main supplier.

Egypt came fourth, behind Iraq and Kuwait. Mr Ezzeddin Hilal, Deputy Premier and Minister of Petroleum, told the energy committee of the ruling National Democratic Party two months ago that oil held a bright future for Egypt. He predicted that income from oil in the fiscal year 1980-81 would exceed $2,000m.

He said current gross income from oil was $7,000m annually, giving a net profit of $1,600m. In 1980-81 net income would be $2,010m.

Mr Hilal said production levels are also forecast to increase from the present 30 million tonnes annually to 31,900,000 tonnes in 1981, with the long-term target set at a million barrels a day or 50 million tonnes a year. Over the past three years, oil production has increased at about 20 per cent annually, and analysts expect this pattern to continue until 1983, when Egypt is expected to come out of the economic bottleneck and remain steadily in the black.

Egypt, which is not a member of Opec, has been able to take advantage of Opec rises and of prices ruling in the open market. Egyptian oil sells for between $28.5 and $36.5 a barrel, depending on quality and the state of the market.

More than a third of production is allocated for domestic use and the rest is exported, mainly to Europe.

The minister warned his audience that because Egypt's domestic oil needs were increasing, the Government would have to build nuclear power stations to avoid an energy crisis by the year 2000. The idea of saving oil reserves has been welcomed by many critics of the fast production policy adopted by the Government.

Egypt has no nuclear power stations. Plans by the Nixon Administration to help with the building of a nuclear plant became bogged down for reasons which are not entirely clear. It was to have been built on the Mediterranean just west of Alexandria.

Oil men say studies are under way for between four and six stations to produce about 30 per cent of Egypt's electricity needs by the year 2000. Mr Hilal in a recent press conference indicated that financing of the plants was uncertain and he declined to quote a figure for the total costs.

The minister said that in the year 2000 Egypt's consumption of oil and oil equivalents would rise to 65 million tonnes and, since the country could not produce that amount of oil, the nuclear plants were a necessity. He said the use of solar power in Egypt would not be significant until the year 2020.

Most of Egypt's oil production comes from the Gulf of Suez and its two shorelines. But oil exploration and development now covers more than two thirds of Egyptian territory.

a Special Correspondent

بنك الدلتا الدولى

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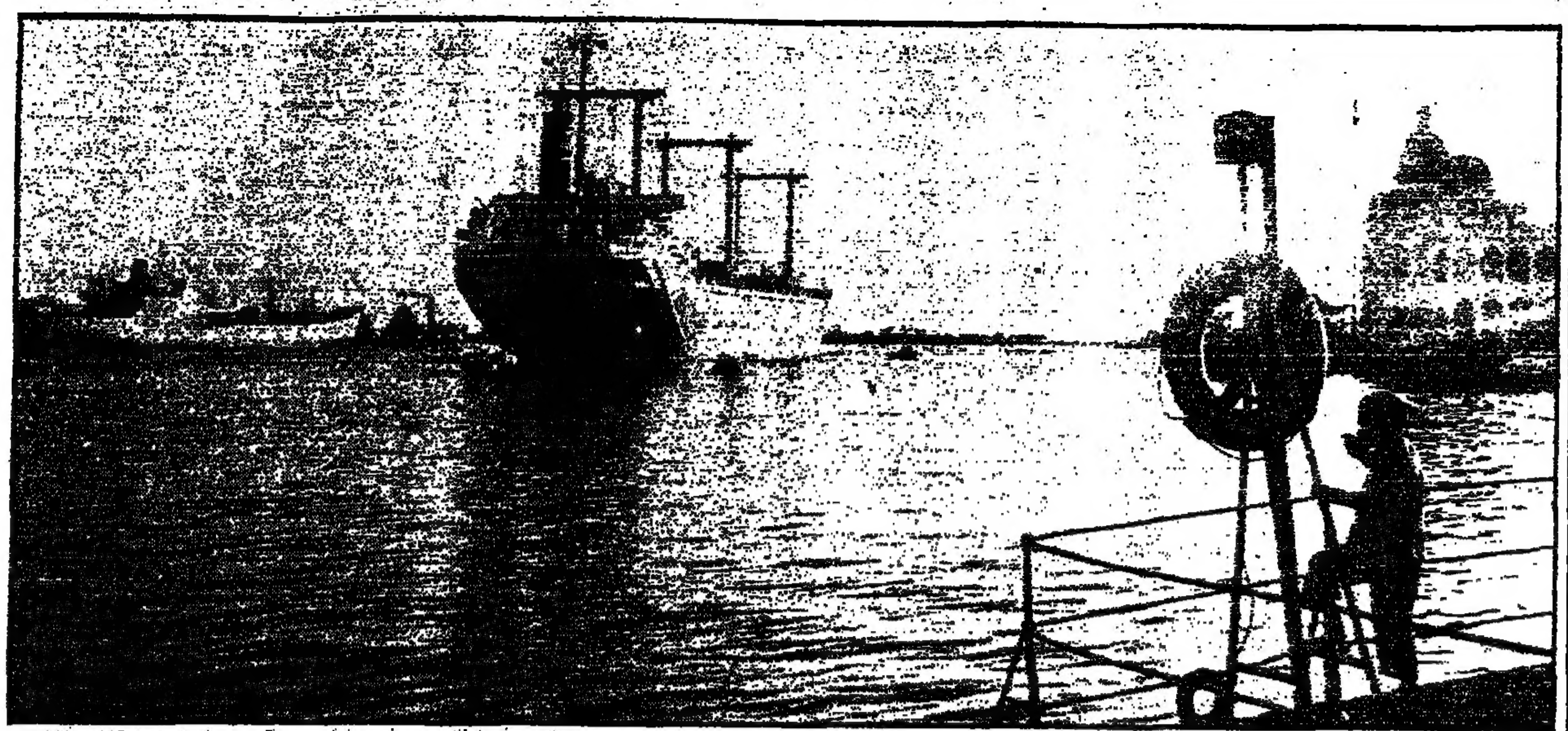
Excited Suez ready to receive its first super-tanker



Ships await clearance to enter the new, improved Suez Canal. The canal authority is housed in the domed building on the right.

From October the Suez Canal will be able to accommodate ships more than twice the present size. The completion on schedule of the widening and deepening work is a remarkable achievement, as a mere seven years ago damaged hulks still littered the canal's waters, and prospects for reopening seemed dim in view of the Egyptian-Israeli impasse.

Now a new spirit of optimism and even excitement is apparent in canal towns, as Suez stands poised to receive its first super-tanker. Ships of up to 150,000 tons fully-laden or 380,000 tons in ballast, will be able to pass, instead of the present maximum of 60,000 tons fully-laden, or 250,000 tons in ballast.

Work on the enlargement of the canal to accommodate tankers of up to 53ft in draught, compared to the current 38ft, has proceeded extremely well. The Ballah by-pass just north of Ismailia was completed more than a year ago, and in March the impressive 36.5km long Port Said by-pass was opened when Mashour Ahmed Mashour, chairman of the Suez Canal Authority, cut the ribbon to mark its inauguration.

Those present at the ceremony to witness the waters of the Mediterranean and Red Sea meeting for the second time in history included Keiichi Keidani, the president of the Japanese Mitsui Company, which was responsible for most of the work. The first time these waters met was in 1869 in the Bitter Lakes when the canal was dug.

The only important remaining work is dredging, with the Mitsui company at present dredging from the Mediterranean Sea coast along the northern section of the canal, while the Italian Viannini company is dredging just to the south. Both companies have almost completed the operation, while farther south the Suez Canal authority's own dredgers had carried out three quarters of their remaining work by May. Work on the service canal joining the by-pass with the original canal, for use by the tugs escorting the large tankers, is also well advanced, as is the construction of the two breakwaters of one kilometre each where the new by-pass enters the Mediterranean.

Originally, when the Suez Canal Authority reopened the canal, it envisaged enlarging it to accommodate tankers of up to 67ft draught, which would have allowed to pass tankers of 250,000 tons fully-laden or 500,000 tons in ballast. Wisely the authority decided to follow the advice of the consultants for the feasibility study, the British firm of Maunsell, and the French firm Sogreah, which suggested that it would be prudent to undertake the work in two stages.

The first stage is almost complete, but the canal authority wants to review the results of this stage before committing itself further. It has asked Mitsui to undertake a feasibility study for a 105-mile canal parallel to most of the present canal, but using some of the sections which have already been enlarged. This feasibility study will be ready by March 1981, but as the projected cost is likely to amount to $1,300m, the canal authority will have to assess carefully future possible traffic before proceeding with phase two.

Suez Canal revenue has been rising steadily since reopening, bringing welcome foreign exchange into Egypt's economy. In 1978 total revenue was $520m and last year it exceeded $600m, partly because of an increase in tonnage, but also as a result of a toll increase last July, the first increase since the canal reopened. This year revenue should be well in excess of that figure, as the Suez Canal Authority is hoping for a 50 per cent increase in tonnage.

However, there have been worries over revenue during the past year, as tolls are expressed in depreciated dollars. At a conference of canal users held in Ismailia in March, Mashour Ahmed Mashour said a study was being made of toll charges, and one possibility was to express the charges in terms of special drawing rights, which were a more stable unit of account than the dollar.

The canal authority has been reluctant to raise charges, preferring to keep rates low in order to build up tonnage, a policy which there is some pressure to continue with now that capacity has been increased. Any further serious depreciation in the dollar, however, may force the authority's hand, and most users expect further toll increases by next year at the latest.

Sadly, last November saw the severance of Britain's last link with the company which helped to found the Suez Canal, Compagnie Financière de Suez, as the British Government sold off its remaining £22m share as part of its policy of cuts. Since the canal was nationalized by Colonel Nasser in 1956, this holding company was no longer directly involved in Egypt, but the sale to a French bank nevertheless represented the end of an era.

British commercial interests in the canal area remain strong, however, and in May Mr Cecil Parkinson, the British Minister for Trade, visited Suez. He was there to witness the opening of the Ahmed Hamdi tunnel, 12 miles north of Port Suez, which represents the first permanent land link between Africa and Asia since the canal was originally opened.

The mile-long tunnel was built by a partnership between Tarmac International, the Wolverhampton-based building firm, and Osman Ahmed Osman, Egypt's largest private construction firm. Now that this $143m scheme has been successfully completed, Tarmac and its Egyptian partner have already been asked to undertake a feasibility study for a second proposed tunnel. It seems that there is still a role for British skills in Suez.

Rodney Wilson
Department of Economics, Durham University

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Familiar nostrums for industry

If bold words are a measure, ministers in the new Egyptian Government have set themselves a cracking pace for industrial development plans. Modernization is the keynote for manufacturing industry that for many years has produced an inconsistent performance and also lacked direction.

Industrial production was worth $5,700m in 1979, of which private sector output was valued at $1,800m. The public sector undertakings, the heirs of the Nasser years of nationalization, account for 90 per cent of industrial investment and about 70 per cent of output.

Textiles (spinning and weaving) and food processing are the main industrial activities for both private and public sectors and contribute about 55 per cent to 60 per cent of total industrial output. Manufacturing industry employs an estimated 1,400,000. Only 15 per cent of establishments employing more than 500 people are in the private sector.

One of the aims of Mr Taha Zaki, the Minister of Industry, to overcome sluggish performance is to impress on public sector officials the need for rationalization and efficient use of manpower. They are familiar nostrums but in Egypt's case compounded by the pressure on available jobs caused by a growing population as well as an awesome bureaucracy.

Official policy is to encourage both private and public sectors to seek foreign partners, though the provision of foreign aid for rehabilitation of plants is an important factor.

In textiles, where public sector mills provide 75 per cent of production, a major overhaul is in progress. The United States Agency for International Development is providing $96m to modernize Egypt's largest mill at Mahalla al-Kubra while the World Bank has agreed $121m for renovation of five mills including the National Spinning & Weaving Company's mill at Alexandria, founded in 1891, and which employs 15,000 people.

Food processing accounts for 33 per cent of public sector production. Agro-industrial schemes are likely to feature prominently in future plans. A United Kingdom group, including British Sugar Corporation, Tate & Lyle, Tarmac, Guinness Peat and Morgan Grenfell, is working, for example, on a package bid for a $655m development at West Nuberiya to grow and process sugar beet.

In other parts of the sector foreign participation is an established trend. Joint ventures agreed or under discussion include those with Coca-Cola and Cadbury-Schweppes, while Creusot Loire of France has recently presented a feasibility study for a $21m canning and food processing plant at Edfina.

The next leading sector, engineering and metallurgy, produces a wide range of goods. Output of Fiat/Seat cars from the El Nasr Automotive Company is planned to double to 34,000 a year. The planned production of a possible Volkswagen plant is 10,000 cars a year. Daimler-Benz is another possible West German investor in a vehicle plant for the assembly of lorries. Ford and General Motors of the United States are also discussing joint ventures.

Most steel is produced by the Soviet-built Helwan Iron and Steel Works, which when expansions are completed will turn out a million tons a year of rolled steel and 340,000 tons of billets. Japanese funding is awaited for a $463m direct reduction steel plant project at Dikheila. Expansion is also planned of the Nag Hammadi aluminium smelter now producing 100,000 tons a year of raw aluminium.

The development of new cities is likely to emphasize the building materials sector. It is hoped that cement plant projects at Suez and Qattamiya funded by USAID will help to eliminate imports of cement now running at two million tons a year. Acrow of the United Kingdom has set up a joint venture to produce scaffolding and Guardian Industries of the United States has prepared an evaluation for a flat glass plant which could cost more than $150m.

Whatever the holdups in the past, ministers give every indication of wanting to speed outside investment. Mr Zaki declared on a visit to Brussels recently that six months was to be the time limit for agreeing a contract and the use of equipment for a project.

A fillip to industrial plans could occur if proposals for military production involving United States licences turn into agreements. Since the collapse of the Arab Organization for Industrialization (AOI) and the loss of Saudi and other Gulf funding for an arms industry because of the treaty with Israel, most AOI activities in Egypt have been discontinued or run down.

Future production in an Egyptian-controlled AOI type organization could involve assembly of Northrop's F5E of General Dynamics proposed FX fighter as well as Bell 214 helicopters. Other United States companies that might licence production of equipment include FMC Corporation for armoured vehicles, Hughes Aircraft and Emerson Electric for anti-tank missiles. If all the proposals come to fruition Egypt would expect to gain substantial technology transfer, perhaps creating the civil-military nexus familiar in other countries.

Revitalization of Egyptian industry cannot however depend merely on aid and foreign participation in joint ventures. Though the Nasser policy of producing everything from "aircraft to the needle of a rocket" has long since been abandoned in favour of a more realistic appraisal of industrial potential, modern attitudes to business and management take longer to evolve. It is present attitudes that are the main impediment to the rapid change President Sadat's impatient pace is demanding.

Robert Bailey
Middle East Economic Digest

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SADAT

MAN OF INITIATIVE AND VISION

Overcoming Decades of Mutual Mistrust

When President Anwar El-Sadat of Egypt made his historic visit to Jerusalem, in the heart of enemy-held territory, in November 1977 he broke down barriers hitherto regarded as insurmountable.

His courageous, one-man peace initiative, ending so many years of stalemate, took the world's breath away. It won for Egypt's leader the Nobel Peace Prize, as well as the acclaim of statesmen, newspaper editors and peace-loving people everywhere.

But despite his absolute conviction that only a personal intervention as bold as this could achieve the necessary breakthrough, President Sadat recognised that the road to a final and honourable settlement would be strewn with every kind of obstruction and difficulty. Any hope of a quick or easy solution was ruled out by the bitterness and mutual mistrust which had accumulated in the course of thirty-odd years and four wars.

Nonetheless, since President Sadat's dramatic intervention, remarkable progress has been made along the road to a permanent peace in the Middle East. Beginning with the Camp David accord, there followed the signing of the Egyptian-Israeli Peace Treaty, Israel's withdrawal from Sinai, the return of Egypt's much-needed oil wells, and the exchange of ambassadors by the two former foes.

But great problems still remain to be resolved before a comprehensive and just peace can be established. First and foremost, of course, is the just settlement of the Palestinian issue, which lies at the heart of the Middle East crisis.

In his speech to the Knesset in November 1977, President Sadat warned the Israelis of the paramount importance of this. "As long as this issue remains unsolved", he declared, "the conflict can only continue to aggravate and to reach new dimensions. In all sincerity I tell you peace cannot be achieved without the Palestinians. It would be a grave error, with unpredictable consequences, to ignore or brush aside this cause".

Intractable as this problem may seem, the Egyptian people are confident that a solution will eventually be found, and that an honourable and lasting peace will be achieved in the Middle East. While President Sadat has proved to be a leader with the vision and will to bring this about, the Egyptian people have shown that they possess the patience and determination that are called for at this time.

As they face this challenge, Egyptians today are enjoying greater freedom and stability in their lives, and real hope of a better tomorrow, than ever before. After thirty years of painful and costly confrontation, Egypt is at last witnessing a steady improvement in its economic fortunes. Despite numerous obstacles strewn in its path, for the first time in many years the country had a balance of payments surplus last year.

As a result of President Sadat's vision, and the bold initiatives he has taken both abroad and at home, a new mood of optimism towards the future is apparent today in Egypt. Egyptians now see the ten years of Sadat's Presidency as a turning point in their country's fortunes, and can look forward to a time, not too far off, when past sorrows, hatreds and suspicions will be forgotten.

Ten Years of Achievement

The following are some of the major initiatives and achievements which have marked the ten years of Anwar El-Sadat's Presidency.

1970 On being elected, he empties the prisons of political detainees, orders the destruction of secret police files, decrees the return of sequestrated property, and restores authority and independence to the Judiciary.

1971 He launches the 15th May Revolution—to put right the mistakes of the 1952 Revolution and lays down the foundation of a democratic and free society.

1972 He expels some 17,000 Soviet advisers, thus asserting Egypt's independence and changing the balance of power in the Middle East.

1973 He masterminds the Egyptian armed forces' dramatic crossing of the Suez Canal, and restores the confidence of the Egyptian army in its ability to take on Israel's armed forces. It was the brilliant performance of the Egyptians during the October War, which ultimately made possible his own one-man initiative.

1974 He launches his "open door" economic policy aimed at revitalising the country's economy, freeing the country from its bureaucratic strait-jacket, and encouraging personal initiative at all levels.

1975 He reopens the Suez Canal to international shipping following its closure in June 1967, thus providing Egypt with a major source of revenue which it had been denied for eight years, while affirming Egypt's commitment to peace.

1976 He abrogates the Soviet-Egyptian Treaty of Friendship, and after 24 years of one-party rule holds the most democratic elections that Egyptians had seen, paving the way for a multi-party system. He himself wins overwhelming public support for his second term as Egypt's leader.

1977 The year of President Sadat's historic one-man peace initiative and his visit to Jerusalem to address the Israeli Parliament.

1978 The leaders of Egypt, Israel and the United States, following Sadat's initiative, meet at Camp David and work out a framework for peace in the Middle East—the first real step towards a full and just settlement of the many differences resulting from thirty-odd years of conflict and four wars.

1979 A Treaty of Peace is signed at the White House between Egypt and Israel. Egypt regains most of Sinai; and re-establishes its sovereignty over all its territories and confirms the inviolability of the pre-1967 international boundaries, including its oil wells, and other objectives contained in the agreement, thus clearing the way for the world's full attention to be directed towards the solution of the Palestinian question.

1980 While exploration by Egypt of all possible ways of resolving the Palestinian issue, crux of the on-going Middle East crisis continues, President Sadat embarks on a series of wide-ranging internal reforms, economic, administrative and social.

STATE INFORMATION SERVICE, 22 TALAAT HARB STREET, CAIRO

Population explosion threatens economic growth

Despite patronage from the highest authorities, family planning is still a controversial topic in Egypt. Some of the country's young activists—particularly among the Muslim Brotherhood—see contraception and abortion as evils propagated by Western ideologies to distract them from the real problems in hand—bad management of resources and lack of faith in Allah.

But family planning has a long tradition in Egypt and in Islam. One of the country's original Arab conquerors, Amr Ibn al- As, a companion of the Prophet, was warning his fellows of the dangers of over-population as far back as AD64. Then in the eleventh century the highly regarded Islamic scientist Ibn Seena (Avicenna) described 20 different methods of contraception in his book *Al Qanun fil Tib* (The Laws of Medicine).

Modern family planning came to Egypt with the rule of Gamal Abdel Nasser. Contraceptives have been on sale since 1955, and the National Family Planning Board opened its first clinics in 1957. When he drafted the National Charter in 1962, Nasser emphasized the need for family planning (Tanzim al Ozra) "because one of the most important obstacles facing the Egyptian people in raising the level of production and therefore the standard of living is rapid population increase".

In 1965 the Supreme Council for Family Planning was established by presidential decree, and in the same year the great Islamic university of Al Azhar gave its authority to an official campaign to reduce births. Indeed Professor Ahmad al Sharabassi, one of the university's top theologians, issued a 150-page book entitled *Islam and Family Planning* which advocated the practice of contraception.

Over the next few years the government-sponsored family planning campaign achieved some notable successes. The birth rate declined steadily from 41.7 per thousand in 1965 to 34.1 in 1972.

But since then the programme has not been as successful as it had hoped. President Sadat set a target of a reduction in the birth rate of one per thousand over a 10-year period (1973-82). But instead there has been a gradual increase once more from 35 per thousand in 1973 to 39 in 1975 and 38 in 1978. This last figure represented a rise in population of 1,200,000 to 41 million. At this rate the number of Egyptians would double by the end of the century. Clearly some new initiative had to be taken.

Part of the problem was lack of executive control over family planning. The old Supreme Council for Family Planning was purely an advisory body. Responsibility for carrying out its national plan was divided between the Ministries of Health and of Social Affairs. There were perennial disputes over budgets and family planning usually came off second best.

One solution was to decentralize the activities of the Egyptian Family Planning Association, the main sponsor of clinics, in order to make it more responsive to local needs and pressures. Another was for President Sadat to set up an enlarged Supreme Council for Population and Family Planning which in 1973 published a new 10-year strategy based on the concept of changing social attitudes.

But many Egyptians have not been impressed by arguments in favour of limiting their families. Harsh inflation over the past decade has encouraged peasants to continue to look towards large families as a source of cheap labour, while unprecedented peace has also helped to boost the birth rate. The result is that today half the population is below the age of 20.

Failure to tackle birth control effectively has put the issue into the hands of development planners. Foreign aid agencies see the population explosion as the biggest obstacle in the way of economic growth in Egypt. For the past three years their governments have regularly raised the question at meetings of the Consultative Group for Egypt sponsored by the World Bank.

There have been suggestions that development aid should be linked to the implementation of affective family planning programmes. Perhaps this explains a number of imaginative measures by different agencies of the Egyptian Government in recent months.

In May, for example, the ministerial plan and production committee decided to exempt contraceptives imported by the Ministry of Health and Family Planning from taxes and customs duty. The same month the Conference for Regional Development suggested new legislation increasing the minimum age for marriage to 25 for men and 20 for women.

The basic reason for such a move would be to relieve Egypt's drastic housing shortage. One of the biggest burdens on housing is newly married couples, particularly in the cities.

It is the cities, of course, which show the most obvious effects of over-population. In Cairo the population is increasing by 4.1 per cent a year, nearly double the rate in Egypt as a whole, and the average density is 24,700 to the square kilometre, compared with 727 in the country's 5 per cent of land which is inhabited.

The Government has tried to tackle the problem of lack of housing by building five new industrially-oriented cities in the desert, with the unromantic names Tenth of Ramadan, May 15, Sadat City, Airya, and October 6. Sadat City is situated 40 miles from Cairo on the road to Alexandria. Its first residents are due next year, and by the end of the century its population should have risen to 500,000.

Five more such cities are planned, and there are even more ambitious plans to move urban dwellers to newly-reclaimed land in the south, around Lake Nasser, in the Western Desert and now even in Sinai.

Such measures are clearly needed if Egypt's population is not to outgrow its resources. But a strong and effective family planning policy is still the first priority.

A.L.

A family planning clinic in Egypt. Attempts to limit population have not met with great success.

Disentangling the phone lines

In the next few years Egypt can look forward to substantial improvements to its telecommunications system, the inefficiency of which has seriously retarded internal development and acts as a deterrent to foreign investment.

Even modern technology cannot cure the ills, however, of a system founded in 1910 and of which a third of the equipment is nearly 50 years old. It is often quicker to place a call overseas than to telephone across Cairo. That unfortunately is not saying much. Placing international calls takes anything from half an hour to half a day or longer.

Piecemeal maintenance, lack of investment capital and an inability to keep pace with demand growth are factors that have led to disintegration of the electromechanical system.

A number of foreign companies are engaged in aid-assisted improvement work, notably the Franco-German Thomson - CSF / Siemens joint venture which is due to carry out a massive $1,800m rehabilitation programme for the system. When agreed in September, 1979, it was the second-largest overseas telecommunications contract awarded and took many by surprise.

At one point allegations about payment of commissions were made by the Opposition. The People's Assembly (Parliament) found nothing to back them up. The contract was won because the financial terms offered were more competitive than Siemens's powerful international competitors.

These international consortiums and individual companies—including Ameritech of the United States (Continental Telephone International, American Telephone and Telegraph Company and General Telephone and Electronics Corporation), L. M. Ericsson of Sweden, International Telephone and Telegraph of the United States and Philips of The Netherlands—had all presented technical proposals for the five-year development and rehabilitation programme which could be just the precursor to a much larger programme lasting until the end of the century. The history of telecommunications companies in overseas markets shows how important it is to be in at the beginning.

It is not yet known exactly what equipment Siemens and Thomson-CSF will provide. Siemens's latest digital telephone exchange, the EWS-D, for instance had not gone into production last year when the Egyptian contract was awarded. The company is contracted to install 500,000 lines and to rehabilitate the existing 350,000-line network, losing about 100,000 lines in the process, bringing Egypt's line network to 750,000 by 1984.

Neither company has been very forthcoming on its role, probably because financial rather than technical details have presented the main problems so far. Two recent agreements, however, have eased the situation sufficiently to allow work to begin nine months after the original contract was announced.

On April 28, the West German Government agreed to provide a Dm93m soft loan, repayable over 50 years with 10 years' grace and bearing less than 1 per cent interest. A further Dm93m is being provided by West Germany's export credit agency, Hermes, and Siemens is providing a similar amount from its own resources.

Last month Dr Abdel Razaaq Abdel Meguid, Deputy Prime Minister and Minister for Economic and Financial Affairs, went to Paris to sign two aid protocols, one of which provides a package of 600m francs in aid, loans and guaranteed credits to finance the purchase of French equipment and services to carry out the first phase of Egypt's telecommunications renovation.

The first four-year phase, to begin this year, will include installing 90,000 lines in four Cairo exchanges, laying coaxial cable between Cairo and Alexandria by Siemens and Siemens Austria, and installation by Thomson-CSF of 80,000 lines in the Delta towns of Tanta, Mansoura and Zagazig, and the surrounding countryside.

Another West German company, AEG-Telefunken, is providing cabling under an earlier contract. In 1978 central Cairo communications were cut as the company uprooted old cables and substituted new coaxial cable. This has been completed and similar work has been carried out in Kubba and Abasseya in the outskirts of Cairo, and in Giza.

Robert Bailey

ADVERTISEMENT

TOURISM IN EGYPT

Antiquities as ancient as human history, fine beaches, moderate weather the year round and hospitality are Egypt's capital assets with which it continues to attract increasing numbers of tourists amounting in 1979 to approximately 1,065,000 whose share in Egypt's foreign exchange proceeds was in the realm of half a billion US dollars.

These figures may look modest, especially if compared with tourist proceeds realised by other countries not endowed with as many tourist attractions.

Realising the importance of tourism to national economy, Egypt has ventured on enacting legislations designed to encourage investment of national and foreign capital in the sector of hotels and tourism, apart from the annual appropriations in the State Budget for carrying out vast tourist and hotel projects by the Egyptian public sector engaged in these activities. This has materialised in the execution of a large number of projects supplementing Egypt's tourist potential. By way of example, the year 1979 has witnessed the addition of 2,000 rooms comprising 4,000 beds to the existing accommodating capacity. The current year of 1980 is witnessing the addition of 4,500 rooms and 9,000 beds to the available accommodating capacity, whereas in 1978 Egypt's accommodating capacity did not exceed the total of 12,000 rooms and 24,000 beds.

The stepping up of the accommodating capacity only represents one aspect of Egypt's endeavours to develop tourism. Plans have been devised for increasing the number of tourist sites in Egypt in order to cope with the continuous rise in the numbers of tourists and to realise a corresponding increase in the number of tourist nights and, consequently, in the income derived from tourism. Egypt's plan for developing tourism principally envisages the creation of an integrated structure for the sector of tourism conducive to making tourism a major source of foreign exchange and an effective element in Egypt's socio-economic development. In particular, the plan contemplates:

1. ameliorating the society's cultural standard through improving the environment and living conditions;
2. improving the standard of technical training and creating new employment opportunities;
3. expanding the area of tourist attractions through creating new attractive houses and tourist sites along beaches and in deserts;
4. securing an increase in the number of tourists raising it by the end of 1984 to about 2 million;
5. increasing the number of tourist nights to 14 million approximately by the end of the plan;
6. stepping up tourism income to US$1,000 million by the end of 1980; and
7. adding a new capacity to tourist accommodations as follows: 9,100 rooms in the category of 4 and 5 star hotels and 18,820 rooms in hotels below the 4 star category. In other words, the gross capacity needed to be added is 27,920 rooms, apart from the routine process of replacement and refurbishment of the existing accommodating capacity belonging to the public sector.

The tourist plan underlines the principle of concentrating investments in a limited number of tourist sites, thereby minimising cost per tourist unit and maximising productivity of capital investments in tourist projects.

Several regions are covered by the tourist plan envisaged by Egypt, namely:

— Greater Cairo, considered the principal tourist centre in Egypt by virtue of its vast tourist attractions, with no parallel in any other competing capital. These consist of cultural, historical, religious, sports, recreational and health attractions, making of Cairo a "tourist Mecca" frequented by groups of travellers before proceeding to other tourist and archaeological regions.

— Luxor has been subject of an agreement with World Bank, whereby it would be possible to carry out an integrated plan for developing the city's infra-structure and public amenities, enhancing its accommodating capacity, repairing and lighting its temples and establishing a cultural centre and a hotel school therein.

— Assuran and Abu Simbel have directly benefited from the High Dam Projects which stepped up their accommodation capacity, improved their infrastructure and developed their roads, rendering visits to tourist sites more enjoyable.

In view of the anticipated tourist development programmes in the next five years in these regions of Upper Egypt, it was recommended in the plan that the necessary finances be allocated for improving public utilities, a prerequisite for a successful tourist movement. Projects contemplated include road paving and beautifying surroundings of the temples of Edfu and Kom Ombo.

Projects planned for the development of the man-made Nasser Lake and for the reclamation of land in the environs will have their direct bearing on the overall development of these Upper Egypt regions and would reflect directly on the tourist movement.

— As regards Alexandria, considered the second capital of Egypt after Cairo, it is frequented by a large number of tourists, both foreign and indigenous, all attracted by its unique attributes. It was also recommended in the plan to develop Alexandria's various utilities for providing a better service to tourists.

— The North-Western coast is Alexandria's natural extension. It serves as a summer resort for recreational tourism when, at the peak of the season, Alexandria's accommodation capacity is under heavy pressure. Already, a survey has been conducted for developing part of this coast extending between Kilo 34 and Kilo 100 and a special machinery entrusted with the execution and supervision of the pertinent projects has been set up within the Ministry of New Communities. With the completion of the infrastructure projects in this region, investors would be encouraged to venture on development projects.

— The Red Sea coast, the Suez Canal region and Sinai are vast and expansive and are possessed with numerous tourist attractions. Their basic needs revolve around the provision of the vital infrastructure and the required accommodation capacities.

Since roads are absolutely vital for the progress of any tourist movement, it was recommended in the plan to construct and improve numerous roads normally frequented by tourists, including a new desert road connecting Asswan with Cairo, maintenance of Qena/Safaga Road, and repair of Qift/Qosseir and Edfu/Marsa Alam roads.

All these roads need continuous maintenance, plantations of trees on both sides and provision of signs indicating kilometres and traffic instructions.

It was, further, recommended in the plan that some new drives should be constructed to insure direct access to antiquities' sites in Upper Egypt Governorates.

In addition, the Government is endeavouring to provide other facilities including tourist rest houses and projects aimed at beautifying important tourist locations in Governorates like Minia, Suhag, Beni Sueif, Feyyoum and Sinai to encourage visits to these regions which are endowed with rich archaeological finds posing an attraction to numerous tourists.

The three roads leading to the Suez Canal Zone possess a special nature and encourage transit and recreational tourism. Following the conclusion of the Peace Agreement, special attention was directed by the State to these roads.

Religious tourism is equally important in a country like Egypt, where religious places are found in Cairo, Alexandria, the Red Sea, Upper Egypt and Sinai. Special attention has been paid by the State to this type of tourism and the necessary facilities have been provided to attract tourists wishing to visit the holy shrines of their respective creeds.

With the restoration of Sinai, programmes of religious tourism have been so amended as to include the numerous religious places and relics in the Peninsular, such as the road used by the Sacred Family of Jesus Christ, the mountains of El-Tor and St. Katherine Monastery. All these regions will be provided with inns, rest houses and adjoining camps to accommodate the largest number of visitors. A sound and light programme narrating the story of the Sacred Family's trip will be introduced as an added attraction.

Furthermore, Egypt is now bent on providing all facilities for encouraging motor tourism which today accounts for 78% of the gross movement of tourism in the world. In this respect, Egypt is especially privileged with its plain and smooth land and also with the principal international waterway of the Suez Canal, apart from convenient weather conditions and the contemplated projects for the construction of roads and supplementary accommodation facilities along Egypt's coasts on the Red Sea and the Mediterranean.

Steps are taken to facilitate ferry boat activities in the Red and Mediterranean Seas. So far, six ferry boats link the Arab region and Asia with Egypt from the East and South and Central Europe from the North.

Youth tourism also constitutes an important activity of tourism. The present tourism plan in Egypt envisages a more intense movement of youth tourism. Suitable programmes and prices are designed for youth and an adequate number of youth hostels are being established throughout Egypt to attract as many young men and women as possible from the four corners of the world.

Invasion of tourist markets is a policy pursued by the State. Towards this aim, tourist pamphlets and handouts are prepared in languages ranging from Japanese, English, French, German, Italian, Spanish to Arabic. Tourist weeks are organized in various countries for promoting Egyptian tourism.

The plan devised for developing tourism in Egypt also calls for concluding tourist agreements with different countries, inviting leading writers and specialized journalists to visit Egypt, acquaint themselves with its progress and see its tourist attractions for eventual use in their writings and also inviting leading personalities engaged in international tourism to benefit from their views on Egypt's tourist development plan.

It is earnestly hoped that Egypt will occupy its well-deserved place on the map of tourism as it possesses the advantages of a central location between continents and is endowed with divine blessings, being the shining sun, the beautiful beach, the extensive desert, the rich valley and the hospitable Egyptian Man who opens his heart to every visitor.

The whole tourist plan contemplated by Egypt aims at making visitors enjoy with their intellect the features of civilization and culture and with their eyes the beauty of nature and the greatness of ancient historical monuments. It, further, aims at making Egypt the "Mecca" of millions of tourists who flock from the East and the West.

Tourism besides being the most important promotional means which could lead to the realization of the international understanding and the strengthening of peace among peoples, it is also playing an important role in the nations economy contributing to an increase in its national income and an effective source of hard currency.

The continuous progress in tourist arrivals and the receipts from tourism have been parallel to a rapid growth in investments in tourist plant and equipment. Both the developed and developing countries have carried out intense tourist activities to consolidate or improve their position on the international travel market.

We all know that Egypt has always been the meeting ground of East and West—the gateway from the west to the Middle East, Africa and Asia. God has blessed it with a perennially mild climate and stunning natural environment which is not only enriched by the great Nile River but also the sea shores of the Mediterranean and the Red Sea, vast expenses of unspoiled desert, green Valleys and oases. From our ancestors, we have meanwhile inherited the oldest civilization and the longest recorded history, still mightily visible in our Pharaonic, Greco-Roman, Coptic and Islamic monuments.

It is therefore not surprising that we are making every effort to welcome tourists to Egypt. Cultural tourism has been a tradition for centuries, since the time of the ancient Greeks. Most recently, however, we have undertaken to analyse our visitors wants and needs in order to discover their deepest reasons for coming to Egypt, and have made efforts to develop our resources in other fields of interest as well as religion, health, youth, sports, recreation and conventions, and have attempted to appeal to specific age and interest groups. Our aim has been to try and satisfy the needs of all kinds of people, men and women, in accord with their ages, nationalities and financial means.

To realize this aim, the Ministry of Tourism has started to carry out the following:

—Expansion of tourist promotion through agreements, the encouragement of cultural events, sports festivals, and holding tourist weeks abroad as well as through taking advantage of the public relations opportunities provided by International events and celebrations.

—Raising standards and qualification of workers in the tourist industry through specialized colleges and institutes, as well as through training courses in tourism and hotel management.

—Advancing people's awareness of the values of tourism through establishing the Association of Tourist Friends.

—Providing improved security Services for tourists through the activities of Tourist Police whose assigned task is to aid, protect tourists throughout the country.

Furthermore, particular acts of legislation have already been promulgated, entrusting to the Ministry of Tourism the supervision and exploitation of tourist areas, as well as for the encouragement of Arab-Foreign investments in tourist projects.

Usually, our periodical Annual Reports are intended to provide a clear picture of tourism in Egypt, and to show the scope of development of main tourist activities as devised in the Ministry's five year plan. However, the use of statistics as an instrument to support and guide policy decisions on tourism development is a main target.

The total number of tourists in 1979 recorded a figure of 1,064,000 compared to 793,000 in 1975. This is an increase of 34% over a five-year period.

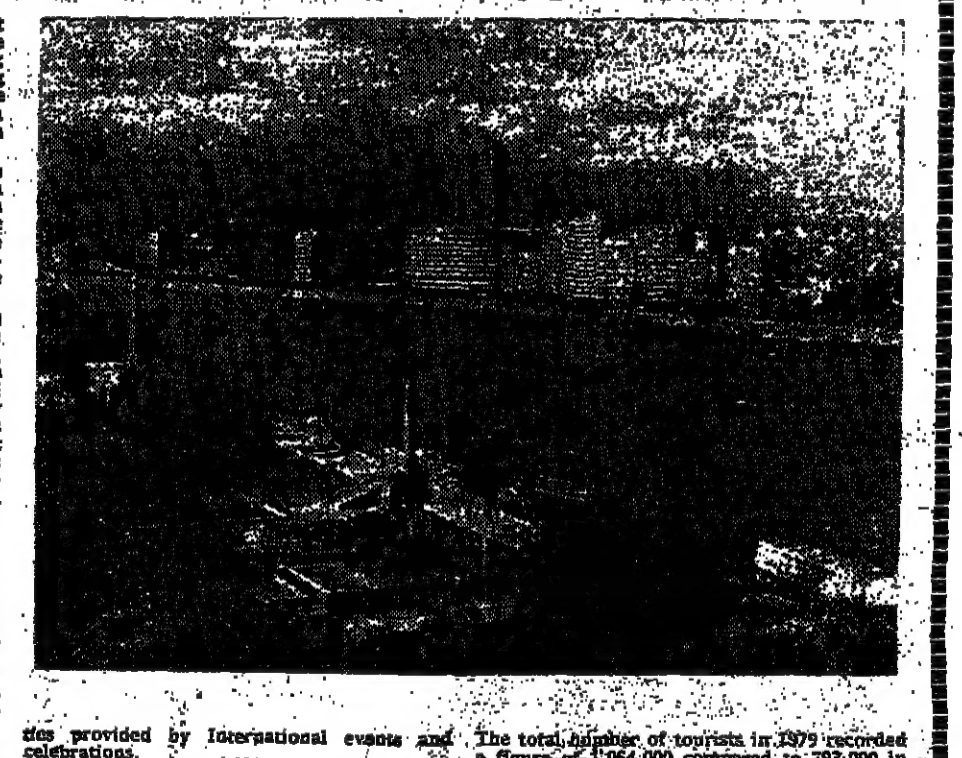
Tourist nights increased by 20% during the same period. The figure rose to 7.1 million nights as compared to 5.9 million nights in 1979 and 1975 respectively.

Main nationalities visiting Egypt in 1979 were U.S.A. (140,000), France (78,000), F.R. of Germany (79,000), United Kingdom (67,000), Italy (54,000), Saudi Arabia (126,000), and Sudan (106,000).

The hotel capacity registered an increase of 35% during 1975-1979, or 8,980 rooms to 12,126 rooms.

These figures, the details of which are presented, indicate that tourism development in Egypt is making progress.

Finally, we should like to point out that President Sadat has instructed all competent authorities to give prominence to tourism, not only because of his recognition of its vital role in the nation's economy, but also out of his belief that it is the best and most appropriate means of strengthening friendship and peace among peoples of the world.



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Peace would be profitable

Ever since President Sadat's trip to Jerusalem in November, 1977, it has been apparent that his peace initiative would have far-reaching economic as well as political implications. Until this year, however, their exact form was uncertain, although there were some indications, especially during the Baghdad summit of Arab states hostile to Egypt's new policy, that there would be an economic price to pay.

Now a year after the signing of the peace treaty with Israel, and its ratification by the Egyptian Parliament, it seems clear that the cost in terms of disruption in economic relations with other Arab countries has been modest, and the economic boycott of Egypt appears more significant on paper than in practice.

At the same time, what the prophets of economic doom observing the Baghdad summit and its aftermath failed to see was that the peace treaty could bring positive economic as well as political gains. Paramount among the gains has been the sharp increase in United States direct aid to Egypt, which this year is expected to amount to more than $1,100m. About half of this is in grants, most of the remainder being concessional loans on extremely generous terms on which only nominal interest is payable.

American aid to Egypt now exceeds its total assistance to India, even though Egypt's population is only a sixteenth of India's, and its per capita gross national product is three times as high. Such comparisons highlight the significance of political factors in aid allocations, which would appear to bear little relationship to actual needs. Almost a fifth of United States developmental assistance is now channelled to Egypt.

The peace treaty has resulted in the formal abolition of the boycott of Israel as far as Egypt is concerned, a move which is already starting to pay dividends for the country's open-door policy. Western firms on the Arab blacklist because of involvement with Israel were hitherto precluded from either trading or investing in Egypt. Now the same firms find they are being positively encouraged by the Cairo authorities to do business.

Two of the best-known British firms on the list, Cadbury - Schweppes and Marks & Spencer, are already interested in establishing links with Egyptian firms. On February 23, only two weeks after the People's Assembly in Cairo voted for ending the boycott, Sir Adrian Cadbury was in Egypt to sign an agreement with the Al Mohandes food product company for the manufacture of a range of Cadbury's products under licence.

In contrast to the Cadbury-Schweppes deal, which essentially involves an import substitution venture, the potential for collaboration with Marks & Spencer is more wide-ranging, as it could also involve Egyptian exports. Discussions have already taken place, according to Mr Gamal Nazer, the Egyptian Minister of Economic Cooperation, concerning the establishment of a local purchasing office by Marks & Spencer for Egyptian fruit and vegetables.

Egyptian potatoes are sold widely in the United Kingdom early in the season before supplies from Western Europe become available, and there would seem scope for extending imports to include other agricultural produce which Egypt's climatic conditions and rich soils favour. The country's weakness in the past with citrus fruit and vegetables has been inadequate marketing and poor sorting and packaging, deficiencies on which British and other European retailing chains are well placed to advise.

The more affluent and well-travelled among Egypt's population have always had a high regard for Marks & Spencer products, and even during Nasser's time there was one well-known shop just off Cairo's Kasr El-Nil street which specialized in St Michael products. In deference to the Arab boycott some items, but by no means all, had the labels cut out, and the prices charged were several times those in the United Kingdom.

In view of the apparent success of this establishment, there would seem to be some scope for licensing other local retailers to market St Michael products, as Marks & Spencer has done elsewhere in the Middle East, notably in Israel and Cyprus.

Mr Gamal Nazer is also interested in encouraging marketing agreements between European retail chains and Egypt's investment-starved textile industry. The fibres produced from Egypt's high-grade long staple cotton are potentially excellent, but there are severe problems with quality control, and much of the country's textile industry uses lower quality imported cotton, from which cheaper textiles can be made for the domestic market.

Lord Marcus Sieff, chairman of Marks & Spencer, has already indicated his company's willingness to involve itself in Egypt's economy, and negotiators on the Egyptian side are hoping that the company will either collaborate with their textile industry directly, or else encourage some of its Israeli clothing suppliers to use Egyptian textiles.

The Israelis may be willing to do this, as at present they mainly supply garments using wool and man-made fibres, and they are keen to buy Egyptian high-grade cotton if it enables them to expand their export product range.

Commercial contacts between Israel and Egypt started almost immediately after the normalization of relations earlier this year, with El Al and Nefertiti airlines of Egypt operating daily scheduled flights between Cairo and Tel Aviv, and Zimlines of Israel offering a freight service to Alexandria from Haifa.

Meanwhile an Egyptian agent, Mr Hasan Ismail, has reached agreement with Israeli suppliers for much-needed irrigation equipment.

R.W.

Big things on the way for transport

Transport in Egypt is due for an overhaul, and businessmen, tourists, and the Egyptian public can look forward to big improvements over the next few years.

At Alexandria, the country's main port, a $151m modernization project is under way. An important part is the building of a container quay which should be ready by 1982. The modernized port will enable Alexandria to handle 30 million tons of cargo a year by 1984, —a 30 per cent increase on present capacity. Other developments designed to relieve the long and expensive delays to ships entering the Mediterranean port include a $420m project for a container terminal at El Dikheila, east of Alexandria, and a plan for a port of 10 million tons-a-year capacity at Damieta, 10 miles north of the Nile river's Damietta estuary.

Safaga, on the Red Sea, could also be in line for major development if a phosphate scheme at Abu Tartur goes ahead as expected. The Abu Tartur project will also need railway expansion to link it with Safaga.

There are about 4,000 km of track in Egypt, but railways are under-used for goods traffic, carrying only about 13 per cent of goods in transit compared with an average of 25 per cent in most other countries. None of Egyptial Railways' modernization plans over the past 20 years has been carried out because of a lack of funds. According to a recent National Council for Production and Economic Affairs report, 83 per cent of locomotives, 61 per cent of carriages, and 40 per cent of track are being used beyond their service life.

Transmark, the international consulting arm of British Rail, is carrying out recommendations it made for dealing with Egyptian railway locomotives and rolling stock under a $2.1m contract financed by the World Bank. An estimated 700 locomotives, 2,000 passenger cars, and 18,000 freight wagons are repairable, Transmark says. Fifty-two new locomotives are being obtained from General Electric of Canada and 29 from West Germany. Passenger coaches are being supplied by Romania. Among other developments Siemens of West Germany is electrifying signals on the much used Cairo-Alexandria line.

There are 90,000 km of roads which have been allocated £E500m under the present five-year plan to 1984. The Cairo-Alexandria highway is due to be upgraded to dual-carriageway standard. Other improvements are planned for the road to Hurghada on the Red Sea and Mersa Matruh on the north-west coast. One plan recently announced calls for a 2,300 km road linking Cairo and the oases in the New Valley. There is particular pressure from holiday companies for improvements to important tourist sites.

Links with the Sinai peninsula will be stimulated when the Ahmad Hamdi road tunnel under the Suez Canal is opened to traffic in October. The builders of the tunnel, which is a joint venture of Arab Contractors and Tarmac of Britain, are exploring the possibility of a second tunnel under the canal.

City transport, particularly in Cairo, remains a daunting prospect for residents and visitors alike. Agreement on a French-financed metro project, and the development of a network of road flyovers in Cairo, is expected to relieve much of the traffic congestion.

The problems of urban planners are matched by those of air transport policymakers. At the beginning of this month the directors of EgyptAir, the national airline, were dismissed by Ali Gamal al-Nazer, the Minister of Tourism and Civil Aviation.

Full executive powers have been placed in the hands of one man, Air Vice-Marshal Mohammad Fahim Rayan, instead of a board half of whose members previously were elected by the workforce. Rayan, an efficiency expert and at one time in charge of weapons-buying for the air force, comes with a reputation as a disciplinarian to an important airline domestically and in the Middle East but one which does not enjoy a good reputation internationally for reliability.

The exact reason for the board's dismissal is not clear. Last year a profit of £E12.7m was declared, up 12.4 per cent on the previous year. The figure declared is net and there is some question whether operations were profitable or not.

One of the first big decisions to be taken by Air Vice-Marshal Rayan will be whether to go ahead on the proposed purchase of four McDonnell Douglas DC10/30 aircraft. A decision on a deal, which will be funded by the United States Ex-Im Bank and United States Private Export Funding Corporation, was expected months ago. Purchase of four European Airbus Industrie A300-B4s has gone ahead and the first enters service in September to augment a fleet that, at present, apart from leased aircraft, has no wide-bodied jets of its own.

The routes for the new aircraft have yet to be decided. There is talk of transatlantic services but more probably the aircraft will be used to relieve pressure on existing routes.

Within the Middle East the threat of a boycott still looms because of the signing of the peace treaty with Israel. If EgyptAir was banned from countries that have severed diplomatic links it could seriously affect movements of Egyptian workers to and from The Gulf and their remittances now estimated as worth more than $2,000m a year and one of the main foreign currency sources for the economy.

Part of the normalization of relations procedure between Egypt and Israel has involved establishing air links. El Al, the Israeli national airline, operates a service twice a week between Tel Aviv and Cairo. EgyptAir could reciprocate if it chose. It does not because of fear of antagonizing Arab feelings and losing far more lucrative routes.

A service from Cairo to Tel Aviv has been started by Nefertiti Airlines, reportedly formed by Nile Valley Aviation Company which was originally set up to service oil exploration companies in Egypt - Nefertiti's operation has no connexion with the national airline, EgyptAir says. The former leases a former Ghana Airways Boeing 707 from Gemini Air Transport of the United Kingdom with a British crew. The aircraft is also used on Egyptian domestic routes to the tourist resorts of Luxor and Aswan which are probably more profitable assignments than the Geminair flights to Tel Aviv.

To add to a complicated picture there is also talk of a new Arab international airline being started from Egypt. Though the future direction of civil aviation has still to be mapped out the Government is proceeding with improvements to regional airports while Aéroport de Paris has prepared a plan for expanding Cairo airport. The main impediment remains finding the money.

R.B.

Tourists return

Much to the relief of Egyptian tourist officials and hotel managers, Arab travellers are beginning to come back to Egypt after three years of giving the country a wide berth. Figures for June show that the number of tourists from Arab countries rose by 89 per cent compared with the same month last year and arrivals increased markedly last month.

There were 68,432 Arab visitors, mainly from Saudi Arabia and The Gulf, compared to 36,084 in the same month last year. Without the Arab trade, Egyptian hotels had begun to look uncharacteristically empty.

Such was the rush of financiers to build hotels in the mid-1970s that it now seems that the Tourist Ministry's target at that time of 17,000 extra hotel rooms by 1983 will be covered by developments in Cairo and Alexandria alone.

The projects initiated five or six years ago were legion, and many are now coming to fruition : Holiday Inns teamed up with Egyptian partners to build a new $4m hotel opened last year near Cairo airport. Sheraton planned new hotels in Cairo, Alexandria and Luxor. Marriott is also building in Cairo, where Saudi and Egyptian interests are putting the finishing touches to the new $50m Semiramis. The year 1977 was a boom one for hotel building with the Arab International Company for Hotels and Tourism announcing its plans for a new $60m Ramses Hilton and French, Egyptian, Iranian and Gulf companies coming together to construct a 500-bed hotel on Gezira Island

The consequence of these and other developments is that whereas three years ago it was impossible to find a room in Cairo at all—hotels were operating at 98 per cent capacity and enjoying record profits of 45 per cent of sales—occupancy rates dropped and some hoteliers began to think again about the market.

For example, Brent Walker, the British group which went into partnership with the Kuwait-based investment group Artok to run the new El Shams hotel in central Cairo, recently sold out its interests, though the company claims this move had nothing to do with declining prospects in Egypt.

Although there was a 13 per cent decline in the number of Arabs visiting Egypt in 1979, after a 4 per cent drop in 1978 and an 11 per cent drop in 1977 from a 1976 peak of 534,531 Arab tourists, overall numbers of visitors were slightly up. Particularly pleasing for Egyptian planners were the 32 per cent and 53 per cent increases in travellers from Japan and Latin America—fruits of their efforts to diversify the countries of origin of their visitors.

Tourism still occupies a vital position in the Egyptian economy. Without foreign currency from foreign visitors, oil revenues, workers' remittances and Suez Canal dues, the balance of payments would be far into the red. As it is receipts from tourism represent a seventh of commodity exports and nearly a third of invisibles. The Government has been hoping that these proportions will increase as it envisages a rise in tourist arrivals to 1,700,000 in 1982 from today's 1,060,000.

In 1977 the Government was predicting two million visitors by 1982. So already there is a drop on previous forecasts. But this is not considered disastrous as Egypt is still struggling to provide adequate services for existing tourists.

One of the main criticisms of Egyptian tourist strategy is that it relies too much on European culture enthusiasts who stick to the tested attractions of the Nile Valley. Even in Aswan and Luxor there are not enough hotel rooms. One solution has been the introduction of floating hotels of which there are said to be 22 on order at the moment. These have the attraction—to the Ministry of Tourism—of not draining the local community of building materials and basic facilities.

The authorities have tried to diversify potential destinations for the tourist so as to encourage second time and even annual stays. (At the moment the average visitor comes to Egypt only once in his life.) On the Mediterranean there has been some progress. Private beaches and hotels are springing up to the west of Alexandria. But their long-term future is somewhat threatened by plans to build Egypt's first nuclear power station at Sidi Kreir nearby.

On the Red Sea coast there has not been as much activity as might have been expected. Development has been held back by political uncertainty over the area. Potentially the centre of the Red Sea tourist trade is Hughada where there is a 66-room Sheraton Hotel (vacant since its construction in the 1960s until last year) and a proposed 200-room Club Méditerranée village. Travel facilities between Hughada, Cairo and other centres of attraction are still being developed, as are public services such as power and water.

Other potential centres of tourist attraction are Lake Nasser and Sinai, where a hotel is being built at El-Arish and St Catherine's Monastery developed as a site for the many Western tourists now taking both Egypt and Israel on their Holy Land package tours and pilgrimages.

The Ministry of Tourism clearly has great hopes for the development of the Cairo-Tel Aviv link.

A.L.

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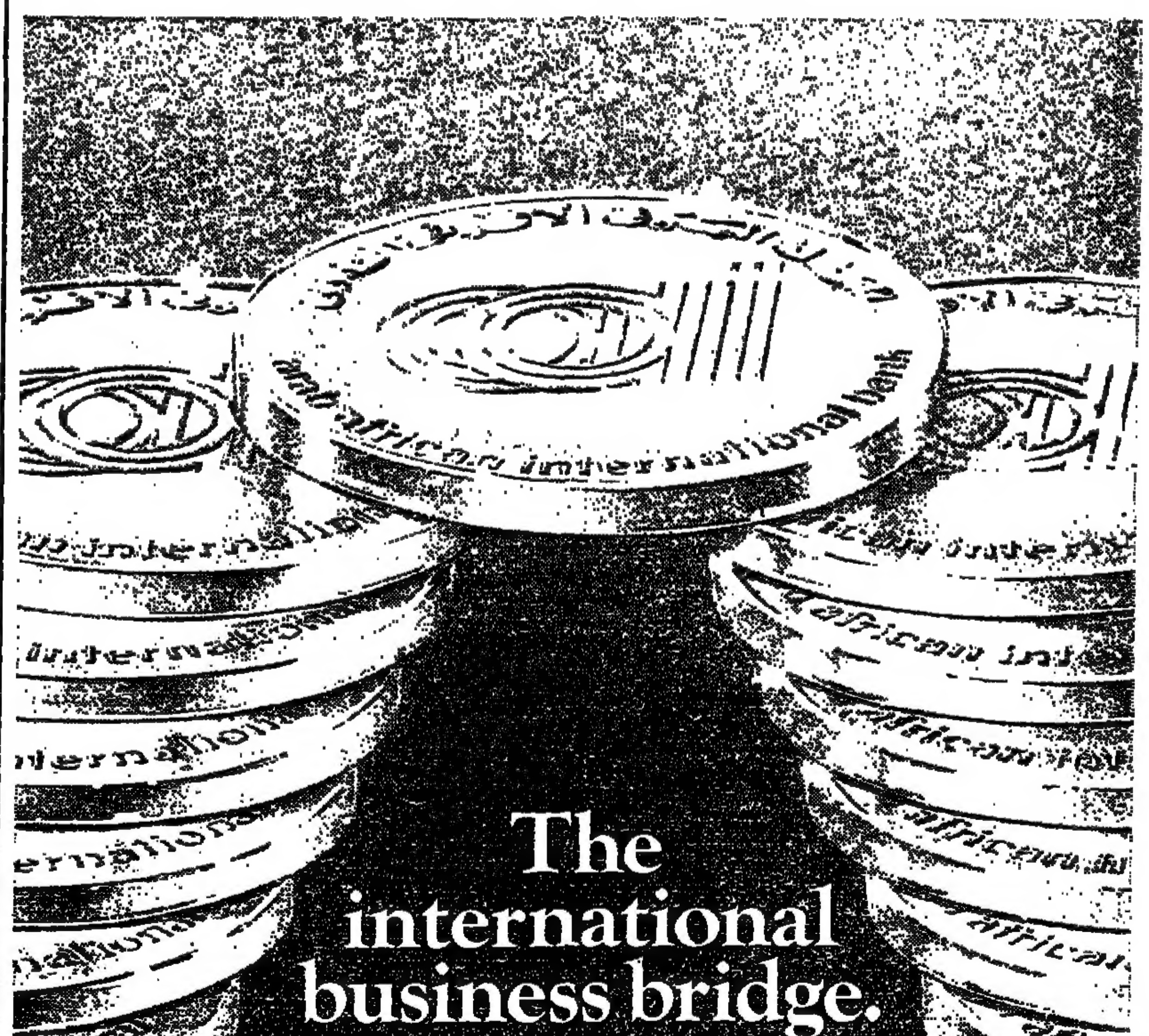

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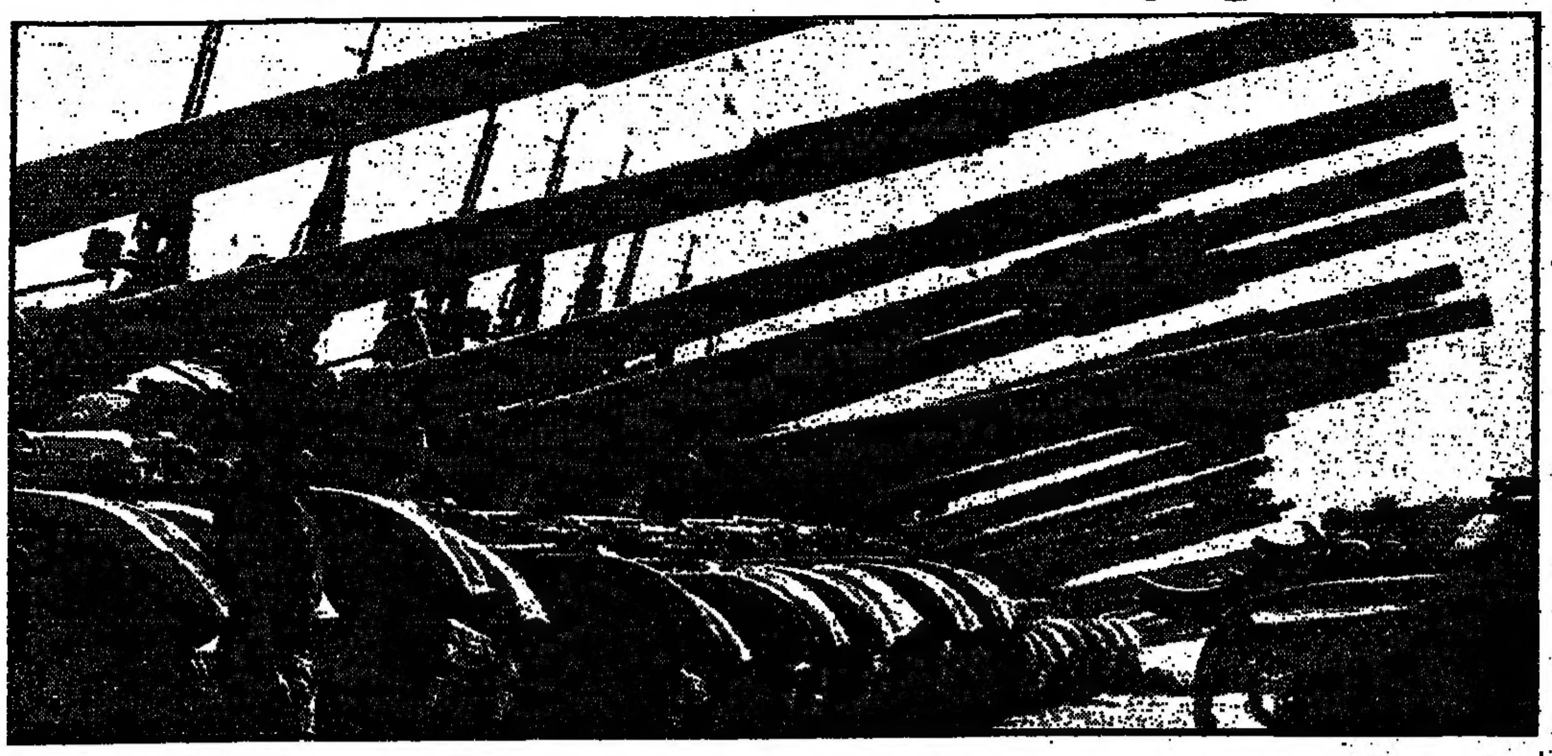
Manoeuvres with a friendly giant



More than 500 United States Air Force pilots, technicians, intelligence officers and supply staff are on a three-month deployment in Egypt at a cost of almost £10m to the United States defence budget.

Detached from a tactical fighter wing at Moody USAF base in Georgia, they are establishing a unique training facility in the spartan, desert environment of Cairo West airport, which should benefit the American and Egyptian forces in equal measure.

The Americans can experience the difficulties of operating from a deserted, forward airfield and are able to familiarize themselves with a part of the world whose relevance has grown, is growing and is unlikely to be diminished. They are able to test their skills and the performance of the 12 F4E Phantoms with which they are equipped, against the Egyptian MiG 21s.

The advantages for the Egyptians are similar, in that they are able to train alongside a friendly superpower for the first time in Egypt since President Sadat broke with the Soviet Union eight years ago.

The political significance, however, outweighs the direct benefits in terms of training and general experience. Internally the deployment should help to raise President Sadat's prestige at a time when many Egyptians are searching in bewilderment, and in vain, for the material benefits they hoped for from the peace treaty with Israel.

Externally it is a reminder that Egypt remains a focal point for American foreign and defence policy in the Middle East. A careful balance has to be found between American support for Egypt, Israel and Saudi Arabia—and between the danger of encouraging a build-up of Soviet military interests in Libya next door.

Egyptian dependence upon the United States is already considerable, and is certain to grow as a result of last year's decision by Saudi Arabia, Qatar and the United Arab Emirates to withdraw from the Arab Organization for Industrialization in protest against the Egyptian-Israeli accord. With the AOI went President Sadat's most attractive option for developing his armed forces through an indigenous armaments industry, founded on a happy marriage of Western technology and Gulf states' petrodollars.

At present Egypt, with Congressional approval, has been granted $1,500m worth of military credits over a three-year period. These enable President Sadat to buy American equipment from 1979 to 1981 and pay for it over a 20-year period at prevailing interest rates.

The purchases so far negotiated include 35 F4Es at a cost of $600m, including spares, ammunition and provision for training; 11 Hawk anti-aircraft missile batteries costing $560m and 800 M113 armoured personnel carriers for $169m.

A further $60m has bought spare parts for the 19 C130 Hercules transport planes which were bought with Saudi cash. Eight long-range aircraft cameras have cost $12m, 12 Sea Spectre 65-foot patrol boats (four assembled in the United States and four in Egypt itself) $15.2m, a number of jeeps and lorries similarly coassembled $23.9m. A further $31.5m has been needed to finance the freighting of supply items to Egypt by civil air transport.

Meanwhile Congress is now considering a request for an additional $550m in foreign military sales credits for fiscal year 1981, and a long list of further sales is being made final after being submitted by the Egyptian Government.

This shopping list includes 40 F16 fighter aircraft; 244 M60 main battle tanks; 130 M48 tanks; 550 more armoured personnel carriers; 43 tank recovery vehicles and the same number of mobile tank repair workshops.

Other projects under consideration involve a refurbishing programme for damaged Egyptian Soviet-built tanks; the provision of wireless equipment; building materials; artillery guns, ammunition and spares; and aid in building up industrial production in Egypt. Nearly $1m is being spent with the United States on the education and training of military students during 1980 and a similar sum on as many as 96 students in 1981.

Egypt insists that its own technicians have successfully maintained the Soviet MiG 21s and MiG 23s and that these should last for up to another 15 years. The Western assumption that many of these have been grounded by a shortage of Russian spares after the 1972 break, has been denied.

The collapse of the AOI however has left President Sadat with heavy requirements above those referred to above. Missiles, helicopters, training aircraft and electronic countermeasures equipment are among items which are needed if Egypt is to develop the balanced, all-purpose forces which it craves to insure itself and to exert a stabilizing influence upon Middle Eastern politics.

The job of switching from a Soviet source of supply to an American-Franco-British one is likely to continue causing problems for President Sadat, however. The military doctrine which dominated Egyptian thinking and training for so long has to be changed too, and the re-creation of Egyptian forces under the aegis of the West will not be accomplished overnight, or even in a year or two.

Meanwhile, President Sadat has to nurture the morale and loyalty of a military caste who have always enjoyed a privileged position in his poor country. This is now more important than ever as inflation bites deeply into living standards and accentuates the gap between rich and poor.

It is in this direction that he might derive the greatest benefit from the 90-day deployment of the F4Es to Cairo West, along with their vast cortege of intelligence and supporting staff. On the other hand he has to be wary of overwhelming his officers with the American presence, to avoid the kind of disenchantment which arose out of the Soviet-Egyptian relationship.

Western intelligence assessments credit the Egyptian Army with a strength of 350,000 and reserves of 500,000. Present equipment incorporates 1,680 tanks, including light tanks. The Air Force has a strength of 20,000 and 560 combat aircraft, whose general condition remains a matter of speculation outside Cairo.

The Navy has 20,000 men and is thus the smallest of the three services. Its ships include 12 submarines, five destroyers, three frigates, 12 patrol craft, 46 fast attack craft, 18 landing craft and 14 minesweepers.

A military parade marking an anniversary of the Israeli-Egyptian war in 1973.

Henry Stanhope
Defence Correspondent

Saving the monuments of Philae

Saved from the waters of the Nile, the Temple of Isis is now on the island of Agilkia.

The outstanding archaeological event of recent months in Egypt was the completion of the transfer of the monuments of Philae to the island of Agilkia near by. It brought to an end a 20-year campaign to save the archaeological legacy of Lower Nubia, which had been conducted with the financial and scientific help of many nations. It was sponsored jointly by Unesco and the Egyptian Ministry of Culture.

The need for such action had come about, in the main, as a result of the construction of the High Dam near Aswan and the consequent formation of a vast reservoir extending 300 miles to the south, far beyond Egypt's frontier with Sudan.

Philae was situated in a second, smaller reservoir between the High Dam and the original Aswan Dam. Its monuments had been submerged, partly or completely, for nine months every year since 1902, when the first dam was built. Apart from losing their ancient paint, they had suffered little.

Once the High Dam was built, however, not only did they never stand clear of the water, but the volume of water in the reservoir fluctuated greatly in the course of every 24 hours. At night the water was allowed to accumulate and by day it was released for purposes of irrigation. It was the constant rise and fall in the level of the water which would eventually have destroyed the monuments.

Before the monuments could be dismantled for removal, a coffer-dam had to be built around them and the water pumped out from the enclosed area. Concurrently with these preparations at Philae, the rugged surface of Agilkia was reduced and levelled by blasting with dynamite. The 300,000 tons of surplus granite thus obtained were dumped on the east side of the island, thereby changing its contours so that they conformed approximately with those of Philae. When, finally, the monuments were reerected at their new site, their relative positions coincided as nearly as possible with those they had previously occupied.

Many blocks which had become dislodged and were buried in the silt were recovered in the course of the work and were restored to their proper positions in the temples and other buildings. The entire operation, in which divers from the Royal Navy participated for two winters, required eight years to complete and its cost was approximately $30m.

Until the monuments were moved and systematic excavations could be undertaken, little was known about the early history of Philae. Its oldest surviving building was an incomplete temple erected by Nectanebes I (380-363 BC), but its late date was not universally accepted as being indicative of the date when the cult of Isis first became associated with the island.

The excavations, however, did not bring to light any earlier edifice than a small kiosk of Psammetichus II (595-589 BC). His second successor Amasis (570-526 BC), added a small temple which had been dismantled, apparently in early Ptolemaic times, and many of its blocks had been incorporated, probably by Ptolemy VI Philometor, in the second pylon of the temple of Isis. Thus it seems likely that the promotion of the cult of Isis at Philae was largely a politico-religious development of the Macedonian rulers of Egypt which was greatly facilitated by the existence of one of the numerous tombs of the goddess's husband, Osiris, on the neighbouring island of Biga.

The motive behind the development was, most probably, a desire to establish a religious metropolis on Egypt's southern frontier where its priesthood could exercise some restraining influence over the Nubian subjects of the crown in the 80 miles of territory south of the First Cataract which were under Egyptian rule.

The direct archaeological consequences of the construction of the High Dam were obvious to all from the beginning, but its indirect effects on low-lying ancient sites between Aswan and the northern Delta were not immediately appreciated. The employment of more water for irrigation has inevitably raised the water-table on each side of the Nile, with the result that sites which used to stand out of reach of the annual inundation are now subject to the destructive effects of the seepage of ground-water.

Furthermore, land which was formerly uncultivable through lack of water can now be ploughed and irrigated, and valuable archaeological evidence is thereby liable to be lost. Fortunately more archaeological work is being done in Egypt now than ever before. The latest published records show that about 100 expeditions are engaged in either excavations or epigraphical surveys. More than a dozen foreign countries, led by West Germany, the United States and France, are conducting all these expeditions, apart from 10, for which the Egyptian authorities are responsible. Britain has eight expeditions—one working in Nubia—all organized by the Egypt Exploration Society.

As might be expected, the character of the work being done by these expeditions varies enormously.

To mention some examples, the main British expedition has been excavating and recording at North Saqqara, a combined temple and settlement site dating from the fourth century BC to the seventh century AD. The inhabitants of the settlement were a community who catered for the needs of pilgrims who came from all over the eastern Mediterranean to venerate Osiris-Apis and the other deities whose shrines were clustered around the Serapeum. Two of the other British expeditions have been based at El Amarna, one making a detailed survey of the city and the other preparing a publication of the scenes and inscriptions in the tomb of Akhenaton.

One of the German expeditions is reinvestigating the pyramid of Ammenemes III at Dahshur and finding chambers beneath it which its first explorer had overlooked at the end of the last century. A Czechoslovak expedition has discovered a small new pyramid with its adjoining temple at Abu Sir. They belonged to an Old Kingdom queen named Khentkaues, whose tomb was thought to have been already found at Giza.

One excavation which is of special interest not only to Egyptologists but also to biblical scholars and Palestinian archaeologists is being conducted in the north-eastern delta by an Austrian expedition under the direction of Dr Manfred Bietak. For more than a century Egyptologists have been trying to identify the location of the city of Ramses, which the Book of Exodus tells us the children of Israel were required to build for Pharaoh. No fewer than five places have been identified with it at different times in the past, the most strongly favoured being Tanis, called Zoan in the Old Testament. Ramses would then merely be another name for Tanis, called Djane in the Egyptian texts.

It has long been accepted that Ramses, or Pi-Ramses as it was called by the Egyptians, stood on or near the site of Avaris, the capital of Egypt under the Asiatic invaders, known as the Hyksos, who ruled over most of the country in the sixteenth to seventeenth centuries BC. The problem therefore was to find somewhere in the eastern delta which had, on the one hand, evidence of having been occupied by Asiatics and, on the other, Ramesside remains which could be reconciled with ancient descriptions of Pi-Ramses. Tanis satisfied these requirements, at least to the extent that monuments of the two periods were found there, but they had always been reused and they were not in their original positions.

What seems to be a final solution to the problem is now emerging from the Austrian excavations at Tell ed-Dab'a. Among the many remains of the occupation of the site by Asiatic people were two Canaanite temples, a temple of the Egyptian god Sutekh who was adopted by the Hyksos, human burials displaying foreign customs, such as the interment of a pair of donkeys at the entrance to the tombs, and pottery and bronze objects resembling Syro-Palestinian products of the same period.

This Asiatic occupation suddenly ceased, as would be expected, at the beginning of the eighteenth dynasty (c 1560 BC), when the Hyksos were driven out of Egypt and the city was deserted. It was again occupied at the beginning of the nineteenth dynasty when the first of the 11 kings who bore the name of Ramesses came to the throne.

The centre of the Ramesside city was not, however, actually at Tell ed-Dab'a but at Qantir, a mile to the north. In antiquity the two places were simply different parts of one city. Between them lay a stretch of water, which has since dried up. It was a branch of the Pelusian arm of the Nile and on its banks were found mooring posts for ships. Evidently it was an inland harbour to which ships could sail direct from eastern Mediterranean ports.

The excavation of Qantir has recently been begun by archaeologists of the Hildesheim Museum working in conjunction with the Austrian expedition. Previous excavations, conducted by the Antiquities Service many years ago, had brought to light a Ramesside palace, parts of gateways and other urban features. It now seems beyond reasonable doubt that, in the twenty-first and twenty-second dynasties (c1100BC to 750BC), architectural elements and sculptures from these and other Ramesside monuments, together with parts of Hyksos monuments from Tell ed-Dab'a, were transported 15 miles to Tanis, the new capital then under construction. They were then incorporated in its buildings. It was the failure to appreciate that these stones were reused which led archaeologists to identify Tanis with Avaris and Pi-Ramses.

No one can tell what treasures lie hidden beneath the sands of Egypt. In the past it had often been said that they were safest while they remained underground. Since the building of the high dam, however, this dictum is no longer universally applicable.

I. E. S. Edwards
formerly keeper of Egyptian antiquities, British Museum

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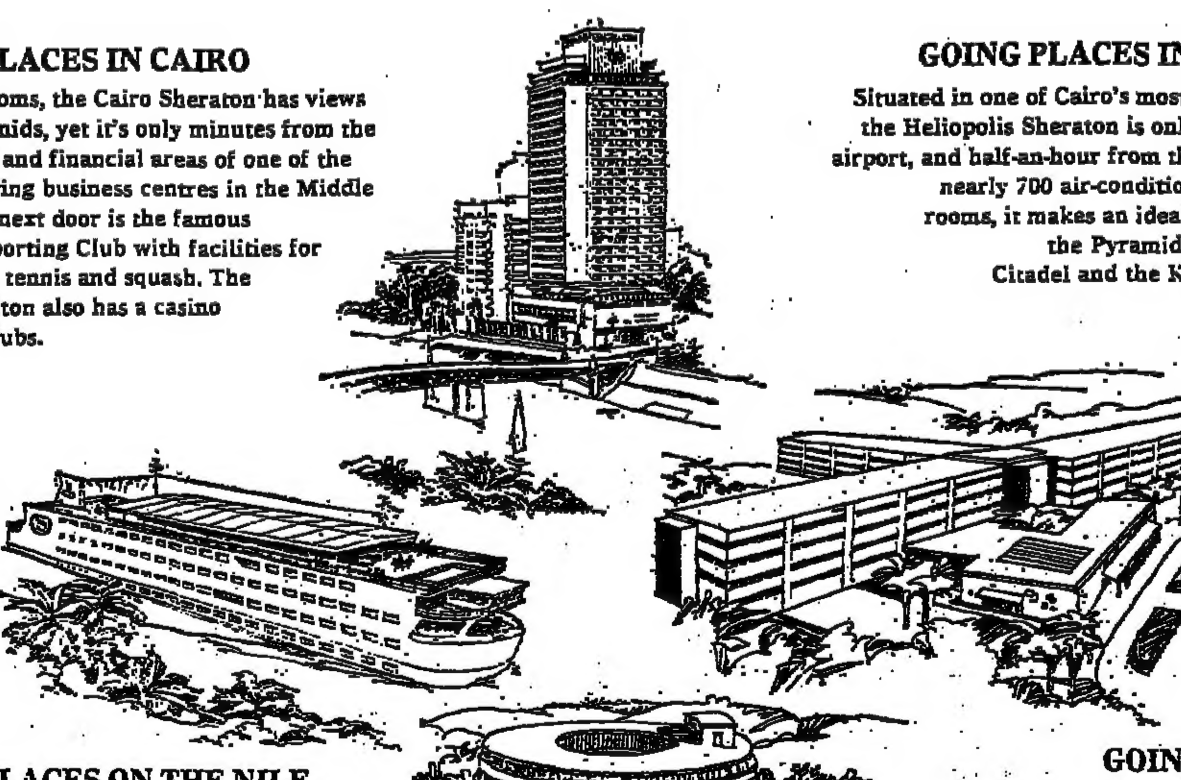
Situated in one of Cairo's most exclusive suburbs, the Heliopolis Sheraton is only minutes from the airport, and half-an-hour from the city centre. With nearly 700 air-conditioned, sound-proofed rooms, it makes an ideal base for exploring the Pyramids, the Mosques, the Citadel and the Khan Khalili bazaar.



GOING PLACES ON THE NILE
HS Anni, HS Aton, HS Hotp and HS Tut are specially-built hotel boats which cruise the Nile Valley between Luxor and Aswan in a leisurely five days. Complete with air-conditioned cabins and swimming pool, Sheraton's Nile cruise ships offer the perfect way to see the Temple of Karnak, the Necropolis of Thebes, the Tomb of Tutankhamun and the Aswan Dam.

GOING PLACES ON THE RED SEA
The new Red Sea paradise of Hurghada now has a new low-rise hotel located on a superbly unspoilt white sand beach. The Hurghada Sheraton offers unrivalled opportunities for skin-diving in the clear unpolluted waters of the Red Sea which teem with multi-coloured tropical fish, whilst expeditions to the Valley of the Kings at Luxor are also available.

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THE STORAGE COMPLEX PROJECT AT EL-NAHDA, ALEXANDRIA (THE 4th STAGE)

Invitation to International Tender

The (G.W.E.) invites tenderers to submit their quotation to supply and erect the following steel structure store buildings 1—One closed storage shed (80 x 120) Sq. m. 2—One closed storage shed (30 x 100) Sq. m. at its storage complex, El-Nahda, Alexandria. Tender documents shall be obtained from the (G.W.E.) offices, at the port of Alexandria, Gate (14), upon payment of 100 Egyptian pounds. Closing date for tenders shall be on 27th of September, 1980, at 12.00 noon at the offices of the (G.W.E.).

Tenders should be accompanied by a provisional deposit of one per cent (1%) of the tender value.

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